



U.S. Department of State FY 2000 Country Commercial Guide: Panama

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I. EXECUTIVE SUMMARY

"This Country Commercial Guide (CCG) presents a comprehensive look at Panama's commercial environment, using economic, political and market analysis. The CCGs were established by recommendation of the trade promotion coordinating committee (TPCC), a multi-agency task force, to consolidate various reporting documents prepared for the U.S. business community. Country Commercial Guides are prepared annually at U.S. Embassies through the combined efforts of several U.S. Government Agencies"

COMMERCIAL OVERVIEW

Taking advantage of Panama's key location, the Government and business communities have long promoted it as an international trading, banking, and services center. Recent trade liberalization and privatizations have added substance to these assertions. Panama's dollar-based economy offers low inflation and zero foreign exchange risk for American companies. Panama's Government actively seeks foreign investment and there are real opportunities available in the former Canal Zone properties being transferred to Panamanian jurisdiction in connection with the transfer of the Canal itself in December 1999.

Due to the evolution and composition of Panama's economy, which is largely based on services, the extent and nature of local competition is very limited in most of the non-service sectors. Although the United States is Panama's most important trading partner with 53% of the market, and U.S. products have a high degree of acceptance in Panama, competition from third countries is strong in certain sectors including: telecommunications equipment, automobiles, heavy construction equipment, consumer electronics, computers, apparel, gifts, and novelty products.

Panama's merchandise imports grew in 1998 by 11 percent over 1997 to a total of \$3.32 Billion. The value of Panama's total merchandise exports in 1998 climbed 9 percent over 1996 to a total of US \$705 million.

The Colon Free Zone is a much bigger market than the country of Panama. Free Zone imports amounted to \$5.2 billion in 1998. These were mostly luxury goods, electronic products, clothing, and other consumer products. Because of this product mix, U.S. market share is lower in the Zone than in Panama. Hong Kong is the Free Zone's biggest supplier, while Colombia and Ecuador are the major final destinations for Zone reexports.

Panama's economy is based primarily on a well-developed services sector that accounts for 76 percent of GDP. Services include the Panama Canal, banking, the Colon Free Zone, insurance, container ports, and flagship registry. Manufacturing, mining, utilities, and construction together account for 17 percent of GDP.

Manufacturing is principally geared to production of items such as processed foods, clothing, chemical products, and construction materials for the domestic market. The manufacturing sector developed under a sixties style import substitution high tariff regime. Panama reduced duties on manufactured items from up to 100% to a maximum of

15% in 1998. Panamanian manufacturers may now have difficulty in maintaining their market share vis-a-vis imports in many sectors. Agriculture, forestry and fisheries make up the remaining 7 percent of GDP.

BUSINESS TRENDS AND OPPORTUNITIES

Consumer attitudes and some brand preferences are similar to the U.S. American television and radio programs, and U.S. magazines are all available and popular in Panama. Panamanians frequently travel to the U.S. for vacation, medical treatment, study, and business. Their buying patterns and tastes are similar to ours.

U.S. products and services are well accepted and highly competitive in most product sectors. Panama has the highest per capita GDP in the region. Income distribution is skewed to the benefit of a relatively small, consumer goods-oriented, economically powerful class. These families have high levels of disposable income. They buy good quality trend-setting goods and price is not the major determinant in their purchasing decisions. The majority of the population has much less disposable income and price and availability of credit loom large when they decide what to buy.

Sharply lower import duties have made U.S. products more competitive with locally manufactured items in recent years. The U.S. share of market in Panama was 53% in 1998 up from 51% the preceding year. The U.S. also had 12% of the larger Free Zone market in 1998.

Panama has potential for substantial growth in the areas of electric power generation, health care services, mining exploration and operations, port services, land development, road construction, telecommunications, and tourism.

TRADE AND INVESTMENT CLIMATE

Panama has no restrictions on the outflow of capital or outward direct investment. The current Government has demonstrated its commitment to trade liberalization since taking office in 1994. President Ernesto Perez Balladares completed negotiations in 1997 for Panama to join the World Trade Organization (WTO). Panama's antiquated Labor Code was mildly reformed in 1995 but political and labor opposition prevented the sweeping revision needed. The Perez Balladares Government enacted legislation to lower tariffs to levels below those required by the WTO. It also reduced non-tariff barriers, eliminated producer subsidies, prohibited anti-competitive and monopoly practices, and strengthened intellectual property protection.

Government regulation and occasional intervention in the Panamanian economy have tended to reduce transparency, hinder competition and hamper the efficient allocation of investment. Bid procedures for certain privatizations and Government-financed major projects have been questioned over transparency and there have been some seemingly unjustified rebids. The Government's economic liberalization program has been designed to reduce these distortions and increase competition and competitiveness, but has fallen short in some areas.

The combination of relatively high costs for both utilities and labor makes unit production costs higher than average for the region. Also, investors complain of burdensome and excessive product registration requirements.

The most interesting sector for new foreign investment is in the former Canal Zone and associated military bases. Panama will receive a total of 364,000 acres of such territories by the end of 1999 including two large military bases, one of which is a major air base that could be used as an air cargo hub or an aircraft maintenance and repair facility. The Government is actively looking for investment in the fields of tourism, marine services, and in-bond assembly and manufacturing.

The privatization program in Panama has largely been concluded. It started with the sale of a state cement company and a state-owned fruit company. The Government awarded concessions for a private toll road in 1994, cellular phone service and another private toll road in early 1996, and two ports in mid-1996. Intel, the Panamanian telephone company, was partially (49%) sold in mid-1997 and is now being managed by the British firm Cable and Wireless. The previously government-owned casinos and race track were privatized in 1998. The power parastatal was restructured and converted into 8 companies, which were partially sold to the private sector, in August 1998. Four American companies participated including Enron, Coastal, AES and Constellation. Two sugar mills were privatized in 1998 to local groups with some Colombian participation. Pending announced privatizations include a large convention center, the international airport, and water utility operations. However the airport privatization has been delayed pending review by the new administration. Water privatization was halted in 1998 after violent protests and appears unlikely to proceed in its original form.

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II. ECONOMIC TRENDS AND OUTLOOK

MAJOR TRENDS AND OUTLOOK

As Ernesto Perez Balladares prepares to turn the Presidency over to President-elect Mireya Moscoso, his administration can take credit for several economic policy reforms, including restructuring the debt, liberalizing the trade regime, privatizing state-owned enterprises, lowering tariffs, and attracting foreign investment. Despite somewhat slower growth over the past year, these measures appear to be bearing fruit.

According to the Comptroller General's office, Panama's economy grew 3.9% in real terms in 1998, falling from 4.7% growth in 1997. However, population growth continues to pressure general economic growth with real per capita GDP increasing only 2.2% in 1998. The Ministry of Economy and Finance predicts 1999 growth of 4.0% or more. Embassy projects growth of closer to 3.5% in 1999.

Unemployment in 1998 was unchanged at 13.4%. Although Panama's 1998 real per capita GDP (basis 1982) is among the highest in the region at \$2,502, this statistic is misleading, because Panama has a skewed income distribution. According to a 1998 Government study, the richest 20% of the population consumed 15 times more than the poorest 20%. Panama's GINI coefficient, which measures income inequality, is 47.0, one of highest in Latin America. The Government estimates that 37% of Panamanians live in poverty, with 22% in severe poverty.

Unorthodox bidding procedures on two major investment projects in 1996 raised questions of corruption. Charges of corruption arose in 1998 in several cases of property sales and concessions by the government agency handling disposal of reverted territories. These cases and several other instances of questionable practices have soured some large international firms on doing business in Panama. The judicial system also has come into question, in part because of extra-judicial pressures in the November 1997 acquittal on murder charges of Pedro Miguel Gonzalez, son of the President of the Legislative Assembly. Gonzalez was charged with the politically motivated murder of an American soldier.

Foreign investment, capital goods spending, and regulatory reform will be keys to growth in the near-term. The Government passed banking code reform in March 1998, and it is nearing completion of a series of privatizations of major state-owned enterprises. Panama's accession to the World Trade Organization in mid-1997 resulted in lower tariffs. The government lowered tariffs further, giving Panama the lowest average tariff rate in Latin America. The 1995 "Universalization of Fiscal Incentives to Production Law", removed some of the mechanisms that Panama's protected, monopolistic industry used to exclude foreign competition.

The bill reformed the tax subsidy and incentives regimes, and granted any producer, regardless of size, equal tax breaks on imports of inputs and capital goods. It created tax breaks for investments in high technology fields and for investment in infrastructure improvements and training of the workforce.

In addition to the Government of Panama's ongoing economic reform program, two other major challenges face the incoming Moscoso administration: finding profitable uses for the balance of the 364,000 acres of land and roughly 4,800 buildings that are reverting to Panama from the U.S. military; and final preparations for the transfer of the Panama Canal on December 31, 1999.

STRUCTURE OF ECONOMY/PRINCIPAL GROWTH SECTORS

Panama's economy is based primarily on a well-developed services sector that accounts for approximately 75% of GDP. Services include the Panama Canal, container port activities, flagship registry, banking, insurance, government, and the Colon Free Zone. Manufacturing, mining,

utilities, and construction together account for 18% of GDP. Manufacturing is principally geared to production of processed foods, clothing, chemicals, and construction materials for the domestic market. Agriculture, forestry, and fisheries account for the remaining 7% of GDP. Principal primary products include bananas, shrimp, sugar, coffee, meat, dairy products, tropical fruits, rice, corn, and beans. The sectors of the Panamanian economy with the greatest potential for growth in the medium term are ports, maritime services, mining, telecommunications, tourism, and energy.

The Primary Sector

The agriculture sector saw mixed results in 1998. Fisheries output rose 13.6% led by exports of aquaculture shrimp and shrimp larvae, fishmeal, and frozen seafood. Shrimp exports totaled \$138 million in 1998, up 42% from 1997. Shrimp farms, as opposed to sea-harvest shrimp, accounted exclusively for the growth in shrimp exports due to expanded production and new aeration and cultivation techniques. Sea-harvest shrimp production fell slightly in 1998. Panama signed the International Dolphin Conservation Program Agreement in May 1998, paving the way for increased tuna exports and growth in tuna fleet support services. The Government privatized a tuna cold storage/processing plant at the port of Vacamonte and the plant was subsequently renovated in 1997.

Crops in general benefited from the exit of El Nino and the return of normal or greater than normal rainfall. Sugar production increased 9% in 1998, earning \$25.5 million, in spite of a slightly lower U.S. sugar quota. The Government estimates that rice production in 1998 rose by 40%, due to expanded production and greater use of irrigation. Corn production rose by 36%. Beef production rose by 5.4% due to stronger prices and the opening of new export markets in Colombia, Ecuador, Japan, and the Dominican Republic. Chicken and chicken byproduct output rose 9% in 1998, as Panama's local market continues to be one of the heaviest per capita consumers in Latin America. Panama also began exporting fertile eggs in 1998 and hopes to begin exporting whole chickens to Central America and the Caribbean next year. Chicken producers continue to benefit from tariff reductions on feed inputs.

On the other hand, banana production, Panama's largest export crop, suffered the effects of a 57-day strike against Chiquita's Puerto Armuelles division in March-April 1998. Chiquita, Panama's largest banana grower and exporter, has a second division in Bocas del Toro province, which was not affected by the strike. During the strike, the company was prohibited from entering the plantations to harvest or care for the trees, resulting in massive crop losses. Chiquita wrote off Puerto Armuelles' production for the remainder of 1998, re-starting harvest and export operations in January 1999. As a result, 1998 banana production fell by 24% to \$139 million.

Panama continues to suffer from the Banana Framework Agreement that restricts entry of Latin American bananas into Europe, a market on which Panama relies. Prospects for growth in the banana sector brightened in 1997 when the WTO ruled against the trade practice. After the E.U. failed to revise the import regime, a WTO Dispute Settlement Body ruled in March 1999 that the U.S. could implement

retaliatory tariffs. The U.S. and its Latin American partners continue to press the E.U. to implement a WTO-compatible banana import regime.

Exports of non-traditional products, especially melons, have increased substantially in percentage terms and continue to show significant potential for growth. Production remains, however, on a relatively small scale and suffers from lack of significant capital investment.

Production in the mining sector rose 5% in 1998, earning approximately \$25 million. The gain was largely due to domestic demand for construction materials, as low world market prices continued to discourage gold, silver, copper, and manganese production, all of which are present in Panama. No such mine is presently operating in Panama, though two world-class copper mines and one gold mine are poised to begin extraction operations when prices recover. Four other projects are in various stages of development, while over 200 applications for exploration are pending. Mining investment in Panama is encouraged by a favorable mining law, drafted in 1988, which provides incentives to investors.

Mining sector growth has been limited in the past by excessive bureaucracy in authorizing exploration; opposition by indigenous groups; and slow implementation of a mining master plan.

Manufacturing and Construction

Industrial activity grew 4.3% in 1998, in spite of the effects of reduced tariff protection implemented by the Perez Balladares administration. Growth was led by the finished wood products and construction materials sectors, which grew by 38% and 23% respectively. Food and drink processing grew by 3%, as did tobacco products. Flour and beef processing each grew by over 8%. On the other hand, decreases were seen in sawmill production (-17.6%), paint manufacturing (-11%), and raw iron and steel production (-43%). Decreases in each of these sectors are attributable to lower tariffs and greater competition from imports. Panama has relatively high labor and electricity costs, exacerbating the competitive challenges ahead.

Construction activity rose 5.0% in 1998, due primarily to large infrastructure projects in both the private sector and public sector. Private projects included completion of the Colon Port Terminal, Evergreen's (Taiwan) container port; expansion of the Manzanillo International Terminal, a joint U.S./Panamanian container facility; development of the Balboa port by Hutchison Port Holdings (Hong Kong); and, two private toll roads, the Panama-Colon Highway and the Corredor Sur. Other large private projects included commercial shopping centers, expansion of the port at Chiriqui Grande, a water purification plant, and the start of the rehabilitation of a Panama Canal Railway.

Major public infrastructure projects also benefited the construction industry in 1998. These included the widening of substantial portions of the Inter-American Highway. Also underway is a new road in northwestern Panama which will, for the first time, offer land access to parts of the fastest growing province in Panama, Bocas del Toro. Many other smaller projects are also underway including new and rehabilitated bridges in the interior of the country and widened and newly surfaced streets in the capital. All of these projects are

expected to fuel demand for cement, steel rebar, concrete block, asphalt and related products over next two years.

Banking and Finance

In June 1998, Panama's banking sector came under a new legal regime which includes a strong, well-financed Superintendent. Other features of the new law include: Basel Accord standards for capital adequacy, enhanced authority to liquidate banks, higher minimum capital requirements, limits on lending to related parties, etc. Three types of licenses are permitted: a "general license" with the right to operate in the Republic of Panama and internationally; an "international license" with the right to conduct off-shore transactions; and a "representational license" to handle the interests of foreign institutions without conducting banking operations. There is no deposit insurance. New securities legislation is pending.

U.S. banks with general licenses include Chase Manhattan, Citibank, Bank of Boston and NationsBank. American Express Bank and Core States Bank are licensed to carry out representational activities.

Total bank assets of Panama's 96 licensed banking institutions increased from \$36.2 in 1997 to \$36.6 billion at the end of 1998. The total number of institutions, however, is down from 104 because of mergers and closings. Growth in consumer lending, especially in the automobile market, and commercial lending, particularly in financing higher Colon Free Zone inventories, were key factors underlying the numbers. System-wide banking capital and reserves tracked assets, and increased by nearly \$300 million to \$3.1 billion.

From 1997 to 1998, Panama's foreign public debt increased marginally to \$5.18 billion. Foreign official creditors hold 30% of the debt, while the private sector holds 70%, almost exclusively in the form of Brady Bonds and Eurobonds. The Trust Fund for Development, funded by capital raised from the sale of public sector enterprises, rose to \$1.3 billion as of January 1999, up from \$754 million in December 1997.

Panama Canal

Oceangoing commercial transits through the Panama Canal fell 1.8% in 1998, while total toll revenue increased 10%. In FY 1998, 14,181 ships transited the Canal, down 4.5% from 14,857 in 1997. While net tonnage, on which tolls are assessed, almost equaled the previous year, toll revenue rose 9.1% to \$559 million in FY 1998, this as a result of January 1998 toll increase. There are two main purposes for the toll increases: a) to fund purchase of millions of dollars of new equipment, and b) to complete the widening the Gaillard cut which will permit two-way traffic of Panamax vessels (largest which can fit into the locks of the Canal). According to the Panama Canal Administrator, the cut-widening will be completed in 2002 and will increase Canal capacity by 20%.

The Legislative Assembly approved in May 1997 a law creating a successor to the U.S. Panama Canal Commission (PCC). The "Panama Canal Authority" (PCA), a Panamanian government agency, will take over the duties of the PCC when the Canal transfers to Panamanian control on December 31, 1999. The PCC operates the Canal on a break-even basis

(although this includes quarterly payments to the Government of Panama, totaling \$106 million in 1998). The successor PCA plans to operate the Canal more like a business enterprise.

At present, over 93% of Canal employees are Panamanian, as is the Canal's Administrator. The U.S. Government is confident that the predominantly Panamanian workforce, along with massive investment in new equipment over the next year, will help to assure a "seamless transition" of control of the Canal from the U.S. to Panama.

Colon Free Trade Zone

Established in 1948 at the Atlantic entrance to the Panama Canal, the Colon Free Zone (CFZ) is the largest of its kind in Latin America. Worldwide, it is second only to Hong Kong in overall activity. Midway through 1998, the CFZ began to feel the effects of the slowdown in Latin America, its biggest export market. Total CFZ imports fell to \$5.2 billion in 1998, down 5.5% from \$5.5 billion in 1997. Total re-exports fell to \$6.0 billion in 1998, down 4.5% from \$6.3 billion in 1997. Imports from January-April, 1999 totaled \$1.2 billion, down 34.1% from the same period in 1998, while re-exports of \$1.5 billion were down 25.2%.

The downturn in CFZ business is likely to last through most of 1999. In the longer term, the growth in adjacent container ports (MIT and Colon Port Terminal) and the planned revitalization of Panama's transisthmian railroad linking the Pacific and Atlantic ports, should aid the CFZ's competitiveness. CFZ contributions to the Panamanian economy (re-exports minus imports) rose 2.5% from \$754 million in 1997 to \$773 million in 1998.

Complaints of intellectual property rights (IPR) violations continue to plague the CFZ. Enforcement action by the recently established CFZ Intellectual Property Department is viewed as a positive step demonstrating Panama's intention to improve enforcement.

Tourism

The number of visitors to Panama in 1998 increased 4.7% to 506,000, while overall visitor spending rose less than 1%. The tourism industry in Panama has substantial growth potential; however, a lack of tourist destinations hampers its development.

The National Assembly passed in 1994 a law granting incentives to investors in the sector (primarily tax exemptions and long leaseholds.) In 1997, the Legislative Assembly approved a General Use Plan and a Regional Use Plan, which provide a blueprint for developing the areas reverting to Panamanian control. The Government has embarked on an ambitious eco-tourism development and promotion plan, angling for major investments in former U.S. military bases at both the Atlantic and Pacific ends of the Canal. This industry will likely develop slowly over the next ten years.

GOVERNMENT ROLE IN THE ECONOMY

From 1968 until 1989, Panama was governed by a military regime that took a statist approach to economic development. While price controls

were applied to many goods, government involvement was generally less pervasive than that in other countries that pursued import substitution development policies. In 1990, under the Endara government, Panama embarked on a policy reform program to modernize government operations. Political opposition from entrenched special interest groups, however, diluted the substance of reforms.

An even more ambitious program of reforms was begun under the Perez Balladares administration that took office in September 1994. This administration passed reforms in banking, labor regulation, tax code, and fiscal management (funding a near bankrupt government pension program). The Government also negotiated WTO accession, re-negotiated Panama's \$3.5 billion foreign commercial bank debt, privatized state-owned enterprises, and lowered tariff protection to the lowest average rate in Latin America.

The use of the U.S. dollar as Panama's currency means that fiscal policy is the government's principal macro-economic policy instrument. Because Panama does not issue its own currency, government spending and investment are strictly bound by tax and non-tax revenues (including payments by the Panama Canal Commission) and the government's ability to borrow.

According to Department of Defense estimates, the U.S. military in Panama contributed about \$180 million to the local economy in 1997 and \$158 million in 1998. In addition, the military constructed numerous roads, schools, medical clinics, and wells. Withdrawal of U.S. forces through 1999 will result in a significant loss.

As of drafting date, this report cannot yet judge the intentions of President-elect Moscoso's government except to note her consistent support of tariff protection for the agricultural sector.

BALANCE OF PAYMENTS

Panama's goods and services export earnings have traditionally been among the largest in the region relative to GDP, 36.3% in 1998. This is because the country has profited from its geographical location and dollar-based economy to develop a strong services sector. Net services surpluses have traditionally financed large merchandise trade deficits.

Services: Growth of services exports was modest in 1998, at 3.3%. While maritime transportation services were up strongly (Canal and port activity), the downturn in services associated with the CFZ and rapidly falling U.S. military spending moderated those gains.

Merchandise: Panama's merchandise imports totaled \$3.32 billion in 1998, up 10.7% from \$3.0 billion in 1997. Panama's total merchandise exports, meanwhile, totaled \$705 million in 1998, up 8.8% from \$648 million. (Note: These statistics do not include Colon Free Zone trade.)

Debt: From 1997 to 1998, Panama's foreign public debt increased marginally to \$5.2 billion. Foreign official creditors hold 30% of the debt, while the private sector holds 70%, almost exclusively in the form of Brady Bonds and Eurobonds.

Panama has successfully returned to international capital markets. Moody's Investors Service rates Panama sovereign debt Baa1; Standard and Poor's rates Panama BB+. Both are among the highest ratings for third world debt. In April 1998, the GoP issued \$300 million in ten-year Yankee bonds. Panama's debt generally trades with less volatility and a lower risk premium than most other Latin American issues.

INFRASTRUCTURE

Panama has relatively well-developed infrastructure. Inter-city highways are generally good, allowing goods and services to move with relative ease. With new and soon-to-be completed roads offering access to Bocas del Toro province, that area should see significant growth in the next few years. Roads remain poor in the sparsely populated Darien province, though an International Development Bank loan is in place to finance infrastructure development in that remote area. Planned investment in highways, ports, and the railroad in the Panama-Colon corridor should prove very beneficial.

Panama privatized its power generation and distribution facilities in 1998, taking in over \$600 million in the sales and assuring needed investment. Power generation is nearing capacity, and with electricity demand forecast to grow at 6% annually for the next several years, new power plants will need to be constructed. Press reports have described possible plans by Enron, which bought one of Panama's power plants in 1998, to build an undersea gas pipeline from Colombia. The government retains ownership and operation of the power transmission utility.

Port development continued in 1998. Evergreen's Colon Port Terminals completed its \$80 million investment on Panama's north coast, while Manzanillo International Terminal, already the largest container port in Latin America, contracted to buy two additional "super post panamax" cranes. Meanwhile, Hutchison Port Holdings of Hong Kong kicked off construction of its \$150 million port project at the Pacific entrance to the Canal. U.S. partners Kansas City Southern Industries and Mi-Jack Products began construction on the rehabilitation of the Panama Canal Railway, an expected investment of \$60 million that will link the ports at each end of the Canal.

Cable & Wireless (U.K.) continued with its multimillion dollar investment program in the telecommunications utility it acquired in May 1997. Its concession grants monopoly rights until 2003, when telecommunications services will open to competition. At market opening, licenses will be unlimited and issued gratis, while prices will be dictated by the marketplace.

Many of Panama's biggest operations, especially the Panama Canal Commission, banks, and ports have programs in place to handle the year 2000 problem. While the Government's Y2K Commission is a year into its work, it is not clear that all government agencies have responded effectively.

III. POLITICAL ENVIRONMENT

NATURE OF POLITICAL ENVIRONMENT WITH THE UNITED STATES

Formal U.S.-Panamanian relations date to 1903, when a bilateral treaty gave the U.S. the right to build and unilaterally control the transisthmian canal that was completed in 1914. This traditional, at times controversial, relationship was altered by mutual agreement in the 1977 Panama Canal Treaties, which stipulated that Canal administration would pass to Panama and all U.S. troops withdraw from the country by December 31, 1999.

U.S.-Panama relations are generally cooperative and businesslike as both countries prepare for U.S. military withdrawal and Panamanian takeover of the Canal and U.S. base properties. Managing the final months of the Treaty implementation process will be one of the first challenges facing the new administration of President-elect Mireya Moscoso.

It is anticipated that relations between the U.S. and the Moscoso administration will be cordial, with both countries cooperating on important law enforcement and other international issues. Moscoso, who spent many years in exile in the United States during the Torrijos and Noriega dictatorships, appears committed to forging a close, mutually beneficial relationship with the United States.

MAJOR POLITICAL ISSUES AFFECTING BUSINESS CLIMATE

Mireya Moscoso won the presidency on a platform tinged with populist rhetoric. Nevertheless, since her election Moscoso has expressed a commitment to abide by agreements made by her predecessor with the IMF, the World Bank, and the World Trade Organization. She has also stated that her administration will respect the politically unpopular privatizations of several parastatal enterprises carried out by the Perez Balladares administration.

The Moscoso government can be expected to continue down the path of economic liberalization, although at a slower pace than its predecessor and with more attention to the short-term welfare of Panamanians temporarily disadvantaged by economic dislocations. The Moscoso administration's ability to control its own political and economic agenda will be hampered, however, by an opposition-controlled legislature and continuing budget constraints.

The transition of the Canal to full Panamanian control and the reversion of U.S. military properties may increase opportunities for private U.S. investment in Panama. The conversion of the Canal from a U.S. government non-profit entity into a for-profit -albeit state-controlled-business may give the private sector greater opportunities to participate in Canal operations and maintenance. In addition, reverting U.S. military properties offer possibilities for major investments in tourism, transportation, and other as-yet-unexploited sectors.

Under the Perez Balladares administration, the Government of Panama has made progress in decreasing protectionism, promoting structural economic reforms, creating jobs, protecting intellectual property rights, and privatizing parastatal industries. Corruption, drug trafficking, money laundering, and alien smuggling remain serious challenges for the Government of Panama.

Influential private sector individuals have expressed strong reservations regarding the justice sector in Panama. Recently, two high level commissions were established by President Balladares to make recommendations for significant legal reforms. The result of these studies are still pending publication. In the interim, both the IDB and USAID have initiated programs to assist the GOP to promote reforms of the Administration of Justice System.

BRIEF SYNOPSIS OF POLITICAL SYSTEM, SCHEDULE FOR ELECTIONS, AND ORIENTATION OF MAJOR POLITICAL PARTIES

An independent nation since 1903, Panama is a representative democracy with three branches of government: executive and legislative branches elected by direct vote every five years, and a nominally independent judiciary appointed by the executive. Because the current Panamanian judicial system is inefficient at best, and corrupt at worst, many U.S. companies doing business in Panama have arbitration agreements in place to bypass the courts.

Since the U.S. military intervention that removed dictator Manuel Noriega in 1989, Panama has passed through a generally successful process of democratic institution building that has been validated by two national referendums and two general elections, the latest in May 1999. Panama's next general election is not scheduled to take place until 2004.

The President has broad powers under Panama's constitution, but Moscoso must work with a 71-member unicameral Legislative Assembly controlled by opposition parties. Although the Assembly lacks the strong budgetary authority wielded by the U.S. Congress, it does play an important role in shaping political, economic, and social initiatives. Mireya Moscoso's political talents will be tested as she works to build consensus in the Assembly on important legislation.

Moscoso's Arnulfista Party is the political legacy of her late husband, three-time Panamanian president Arnulfo Arias. It is Panama's second largest party, with over 100,000 adherents, and is traditionally strongest in Panama's rural "interior" provinces. Not ideologically driven, Arnulfista Party faithful generally take their political cues from the top. Two smaller, business-oriented parties, MOLIRENA (Spanish-language acronym for the National Liberal Republican Movement) and Cambio Democratico (Democratic Change), supported Moscoso's presidential bid and will participate in her government.

The Democratic Revolutionary Party (PRD) of outgoing President Ernesto Perez Balladares will hold a plurality of seats in the Legislative Assembly and could control the legislature with the support of its current coalition partners, the Solidarity and National Liberal parties. The PRD, founded in the 1970s as the political wing of the Torrijos dictatorship, has traditionally appealed to youth and the urban poor. It is Panama's largest, most organized political party, with over 385,000 registered members. The party leadership is currently in flux as opposing factions backing Perez Balladares and Martin Torrijos, son of the party's founder, vie for control.

Several other small parties are represented in the legislature, most notably the Christian Democratic Party, which shares the center-left tendencies of its European counterparts and has the potential to be a key swing party in important legislative votes.

IV. MARKETING U.S. PRODUCTS AND SERVICES

DISTRIBUTION AND SALES CHANNELS

Business practices in Panama are very similar to those in the U.S. Business tends to be direct and straightforward. On average, Panama City accounts for 65% of total national sales of consumer goods, the remaining 35% is distributed among the principal cities of David, Santiago, Chitre and Colon.

Generally, the marketing channel structure in Panama is simple. Direct importers act as wholesalers and in some cases also as retailers. This situation is common in the case of apparel, automotive parts and hardware products. In the case of consumer goods, food and medicines, the retail operation is separate from the wholesale operation. In the industrial goods sector, sales are normally handled by local exclusive agents or distributors. In other cases, local firms order directly from U.S. brokers or the manufacturer.

Some of Panama's major importers are also regional distributors located in the Colon Free Zone (CFZ). Generally, CFZ importers/distributors have affiliated stores in Panama City for retail sale to the local market.

USE OF AGENTS/DISTRIBUTORS; FINDING A PARTNER

According to Panama's constitution, nationals and foreigners are equal under the law. Both Panamanian and foreign companies must fulfill the same basic requirements to organize and operate most types of business activities in Panama. There are restrictions on foreigners participating in retail trade and practicing certain professions. In practice, however, there are legal ways to overcome these restrictions. U.S. firms interested in retailing should consult a local attorney.

Agents and distributors in Panama are regulated only by the private agreements made between the parties involved. In cases of contract termination or disputes, the private contract clauses prevail over any other document or practice.

Individuals may engage in business activities in their own names or through legal entities. The most commonly adopted form of legal entity is the corporation (sociedad anonima). Other types of legal entities commonly used in Panama are: general partnerships, simple limited partnerships, joint stock partnerships and limited liability companies.

FRANCHISING

Panama is receptive to U.S. style franchising. The market for both specific and general franchising opportunities is attractive. Panama maintains no control on royalty payments or transfers. Recreation, entertainment services, automotive, and hotel and motel franchises are readily marketable as the local market demands better facilities and

services. The U.S. Embassy recommends consulting a local attorney for details on how to set up a franchise in Panama.

DIRECT MARKETING

Key factors for market success in Panama are: high quality, customer service, brand-name recognition and attractive packaging. U.S. products targeting the middle to upper-middle income market are usually competitive. Panamanians have a penchant for high quality U.S. products.

Those with high disposable income follow sophisticated U.S. and European consumption patterns. Most high-end U.S. and foreign brand names are represented in Panama. An aggressive marketing strategy is usually necessary to succeed in this trend-conscious market.

JOINT VENTURES/ LICENSING

Joint ventures, especially for large projects, are becoming common in Panama. Some joint ventures are formed for limited periods of time, such as for a specific construction contract or technology transfer contract. The profits from joint ventures can be distributed annually to each joint venture partner, and are taxed in the same manner as any other income.

Panamanian law does not regulate the registration of license agreements. Nevertheless, license agreements are frequently used to reinforce rights to registered trademarks. The agreements must be attached to the registered trademark and filed with the Industrial Property Department in the Ministry of Commerce and Industry. The agreements become part of the file on the trademark covered by the agreement.

Panama is an interesting and potentially profitable site for licensing agreements and joint ventures as well as routine buy/sell operations. The Colon Free Zone offers the U.S. exporter looking for regional marketing arrangements a convenient one-stop distribution center. There have been problems of money laundering, intellectual property piracy and drug trafficking in the CFZ. All U.S. firms should be aware of these factors before commencing operations in the Zone.

STEPS TO ESTABLISHING AN OFFICE

Panama has one of the most modern and flexible corporate laws in Latin America. Below are some of the advantages offered by Panamanian corporate law:

1. Two or more persons of any nationality, even though not domiciled in Panama, may organize a corporation for any lawful purpose. The articles of incorporation may be executed anywhere, even outside of Panama, and in any language.
2. There are no requirements regarding the amount paid in capital.
3. Ownership of a Panamanian corporation may reside in a single individual or corporation and no part of the capital needs to be held by a Panamanian.
4. There are no nationality or residence requirements for shareholders.

5. Neither the directors nor the officers are required to be shareholders.
6. The Board of Directors must be composed of at least three directors, but one person may hold more than one position.
7. Meetings of shareholders or directors may be held outside of Panama. Proxies may be used by shareholders/directors.

In order to form a corporation in Panama, the client must furnish the following information:

1. The name of the corporation. It may be in any language, but it must terminate in a word or abbreviation indicating that it is a corporation.
2. The objectives and purposes of the corporation.
3. The amount of the authorized capital. Usually the authorized capital will consist of US\$ 10,000 divided into 100 shares of US\$ 100 each.
4. Shares may be nominative or bearer shares.
5. Duration of the corporation, usually perpetual.
6. The full names and addresses of three or more directors and/or officers.
7. The domicile of the corporation.

The time period usually involved in setting up a corporation is from 15 days to two months. Attorney fees usually range from US\$ 600 to US\$ 1,500.

In order to engage in commercial or industrial activities, all corporations, partnerships or individuals must obtain proper authorization from the Ministry of Commerce and Industry. There are three basic types of licenses involved:

- a) Commercial License Class A is required for wholesale operations, commercial and mortgage banks, financial companies, international financial brokers, insurance and reinsurance companies, international transportation companies, mutual funds, public utilities, and high-technology service companies.
- b) Commercial License Class B is required for retail businesses, including representation agencies, service companies, bars, restaurants, drugstores, real estate agents, gas stations, local transportation, distributors and others. This license is only granted to Panamanians or corporations owned solely by Panamanians.
- c) An Industrial License is required for extractive and manufacturing industries, as well as construction companies.

Exemptions for business license requirements are granted to persons or legal entities engaged exclusively in agriculture, cattle, bee, or poultry raising, or in the manufacturing and sale of handicrafts, provided that the work is not performed by hired workers. Licenses must be kept at all times in a visible and accessible place. The cost for obtaining a license ranges from US\$ 250 to US\$ 750. Also, an annual tax is levied based on the net worth of the company, as stated in the income tax return.

SELLING FACTORS/TECHNIQUES

Panama has the highest per capita income in Central America. The majority of income is skewed to a small, consumer goods oriented economic class. These upper-middle and upper-class families have high levels of disposable income. They are interested in purchasing high quality, trend-setting goods. Price is less of a factor in purchasing decisions made by this class than for the middle and lower income classes. The majority of Panamanians are interested in quality but price plays a more important role in the purchase decision.

The use of the U.S. dollar as legal currency and consumer preference for high quality products at a good price are two reasons for high acceptance of U.S. products in Panama. Overall, U.S. products are well accepted in the market and are considered of good quality. However, in many instances, U.S. products must compete against lower priced products especially from the Far East. For example, as in the U.S. itself, Japanese and Korean electronics dominate the market because of aggressive market entry techniques and good quality at competitive prices.

ADVERTISING AND TRADE PROMOTION

Television and newspaper advertising are the promotion tools of choice for the majority of distributors of U.S. products. Panama has a very competitive advertising market, with standard prices and very good production quality. Additionally, trade shows and exhibitions have proven to be effective tools for trade promotion. Special sale prices are usually advertised in newspapers during weekends.

Most foreign manufacturers of consumer products maintain a high profile presence in the country through newspaper ads, large billboards, sponsored sports events, and T.V. advertising. Radio advertising is mainly utilized outside of Metropolitan Panama City.

Major Newspapers:

La Prensa

General Manager - Juan Luis Correa

P.O. Box 6-4586, El Dorado

Panama, Republic of Panama

Tel: (507) 222-1222

Fax: (507) 221-7328

E-mail:ventas@prensa.com

<http://www.prensa.com>

Daily Circulation: 35,000

Format: standard

Advertising prices: US\$ 13.00 per columnar inch, each page has 126 columnar inches.

El Panama America

General Manager - Francisco Arias

P.O. Box B-4

Panama 9A, Republic of Panama

Tel: (507) 230-1666

Fax: (507) 230-1033

E-mail:clientes@epasa.com webmaster@epasa.com

<http://www.epasa.com>

Daily Circulation: is 22,000

Format: standard

Advertising prices: US\$ 8.00 per columnar inch, each page has 126 columnar inches.

La Estrella de Panama

General Manager - Ing. Ricardo Murcillo

P.O. Box Q

Panama 4, Republic of Panama

Tel: (507) 227-0555

Fax: (507) 227-0723

Daily Circulation: 20,000

Format: standard

Advertising prices: US\$ 6.00 per columnar inch, each page has 126 columnar inches.

El Universal de Panamá

General Manager - Carlos Eduardo Duque

P.O. Box 9815

Panama 9, Rep. of Panama

Tel. (507) 225-7700

Fax. (507) 225-6993

E-mail: eluniver@sinfo.net

Daily Circulation: 10,000

Format: Standard

Advertising prices: US\$ 3.50 per columnar inc, each page has 126 columnar inches.

Major advertising agencies are associated with international advertising firms.

PRICING PRODUCT

The price structure for imported goods in Panama depends on the level of competition. The costs of transportation and import duties vary from item to item. In some cases, prices for consumer products and food are higher than world average because of cartelization of the local market. For the sake of illustration, the calculation below demonstrates average costs added to a product before it reaches the consumer. Import duties average 10% over CIF value and wholesale and retail markups are about 25% each.

Average Pricing Schedule

| | \$ Price |
|-------------------|--------------|
| CIF Panama | \$100.00 |
| Import Duty | <u>10.00</u> |
| Total Landed Cost | \$110.00 |
| Wholesale Price | 137.50 |
| Retail Price | \$171.88 |

Note: A 5% value added tax on CIF value plus the import duty is assessed at the time of customs liquidation. Since this value added tax is payable on all goods, domestic and imported, and is passed through to the consumer, it is not included in this calculation.

SALES SERVICE/CUSTOMER SUPPORT

Competition among distributors is often decided by the training, counseling and support they receive from their principals. U.S. companies should focus on providing U.S.-level training and technical assistance to their distributors and making sure they have the resources to provide after-sales support, including spare parts, service equipment, etc.

SELLING TO THE GOVERNMENT

Panama does not have a Central Procurement Office such as the U.S. General Services Administration (GSA). All purchases of goods and services of any significant value are by law advertised for public bid. Government procurement regulations establish that each government organization is responsible for its own procurement but subject to the supervision of the Ministry of Economy and Finance and the Comptroller General's Office. Government regulations also establish a process of company pre-qualification for purchases above \$ 250,000, in order to make sure that potential suppliers have the proper qualifications. Another feature of the procurement system is that tender documents are discussed with interested companies in order to assure agreement about an understanding of terms and condition of participation. Lack of transparency, excessive delays and bureaucracy in the bid selection process have caused problems for U.S. and other bidders in important government bids in the past.

PROTECTING YOUR PRODUCT FROM IPR INFRINGEMENT

Panama is a member of the World Intellectual Property Organization (WIPO), the Geneva Phonogram Convention, the Brussels Satellite Convention, and the Universal Copyright Convention. Panama is also a member of the Bern Convention for the Protection of Literary and Artistic Works, and the Paris Convention for the Protection of Industrial Property. (Refer to Section VII: Protection of Property Rights, for more information).

NEED FOR A LOCAL ATTORNEY

The law requires that every corporation organized pursuant to the laws of Panama have a resident agent within Panama, who must be an attorney. The annual fee for this service is about \$ 200. It is estimated that over 400,000 corporations are registered in Panama.

Registering a national trademark, patent or a sanitary registration application requires a power of attorney. A list of attorneys can be obtained from the National Trade Data Bank (NTDB) directly or through the domestic and foreign offices of the U.S. Department of Commerce.

V. LEADING SECTORS FOR U.S. EXPORTS AND INVESTMENT

BEST PROSPECTS FOR NON-AGRICULTURAL GOODS AND SERVICES

1 - TRAVEL AND TOURISM (TRA)

Rank of Sector: 1

Name of Sector: Travel and Tourism

ITA Industry Code: TRA

Comment: The market for travel and tourism has good growth potential. According to the Panamanian Tourism Institute, approximately 168,000 Panamanian residents traveled in 1998 and spent \$150 million abroad. Of this total more than 80% traveled by air. The U.S. dollar is legal tender in Panama and travellers have no exchange problems. Exit procedures are simple and straightforward and U.S. visas readily obtainable. Panama has the highest per capita income in Central America. Many Panamanians speak English and are well informed about the travel industry through cable T.V., magazines and travel publications. Main destinations are the United States (especially Florida and New York), Europe, South America and the Caribbean. Family vacations, business and health travel are increasingly popular in Panama. Cruise travel is a growing segment of the market, attracting especially the high income sector of the population. The United States is the leader with a total travel market share above 50%, but competition is strong from Italy and Spain. Travel wholesalers from these countries are very aggressive and creative. They offer travel packages not only for Europe but also for South America and the Caribbean.

| (Billions) | 1997 | 1998 | 1999 |
|------------------------------|-------------|-------------|-------------|
| Total Market Size(1) | 528.0 | 576.0 | 630.0 |
| Total Local Prod. (2) | 158.0 | 170.0 | 187.0 |
| Total Exports (3) | 5.0 | 6.0 | 7.0 |
| Total Imports (4) | 375.0 | 412.0 | 450.0 |
| Imports from U.S. (5) | 225.0 | 250.0 | 270.0 |

Exchange Rate: 1 U.S. Dollar = 1 Balboa (Fixed Rate)

(The above statistics are unofficial estimates)

(1) Total Sales; (2) Sales by local firms; (3) Foreign sales by local firms; (4) Sales by foreign owned firms; (5) Sales by U.S. owned firms.

2- BUILDING PRODUCTS (BLD)

Rank of Sector: 2

Name of Sector: Building Products

ITA Industry Code: BLD

Comments: The construction sector in Panama declined after peaking in the first half of the 1990's but resumed growth in recent years. Initially, the majority of construction was concentrated on middle to high income apartments and commercial buildings but now the construction is strongest for low-cost housing and high cost suburban housing. A growing demand exists for after-construction building products used for improving, decorating or modifying existing buildings. This market is especially strong because of the high purchasing power of this sector of the population. U.S. building

products are well received because of their perceived quality and competitive price. U.S. products in this sector enjoy a market share above 60%. Competitors are mainly from Taiwan, Italy and Spain. There are no significant restrictions on imported products. Import duties are in the range of 5 to 15% over CIF value. The demand is especially strong for gypsum board, lighting, and do-it-yourself products.

| (Millions) | 1997 | 1998 | 1999 |
|-------------------------------|-------|-------|-------|
| Total Market Size | 228.0 | 231.0 | 237.0 |
| Total Local Production | 155.0 | 156.0 | 160.0 |
| Total Exports | 0.0 | 0.0 | 0.0 |
| Total Imports | 73.0 | 75.0 | 77.0 |
| Imports from the U.S. | 48.0 | 50.0 | 52.0 |

Exchange Rate: 1 U.S. Dollar = 1 Balboa (Fixed Rate)
(The above statistics are unofficial estimates.)

3 - TELECOMMUNICATIONS EQUIPMENT (TEL)

Rank of Sector: 3

Name of Sector: Telecommunication Equipment

ITA Industry Code: TEL

Comments: The telecommunications sector in Panama underwent a radical change when the government-owned telecommunications company (INTEL) was converted into a corporation and 49 percent of its shares sold to the U.K. firm Cable and Wireless. The terms of the privatization require Cable and Wireless to improve and broaden services, completely digitalize all switching stations and upgrade transmission lines to fiber optics. A cellular license was awarded to Bell South in 1995, which has 85,000 subscribers so far and provides service in most of the more densely populated areas of the country. A second cellular service was started by Cable & Wireless in 1998 and currently has 43,000 subscribers. The ratio of cellular to fixed lines is higher than that in the United States. On January 1, 2003, all telecom services in Panama will be fully opened to competition and an unlimited number of licenses will be issued gratis. Both the privatization and the increased future competition will provide increased market opportunities for U.S. exporters. There are approximately 450,000 fixed telephone lines in the country. There is also an ongoing sector demand for PABX systems, radio trunk systems, satellite-based telecommunications facilities and paging systems. Main competitors in the market are the United Kingdom, Japan, Sweden, France and Canada.

| (Millions) | 1997 | 1998 | 1999 |
|-------------------------------|------|-------|-------|
| Total Market Size | 69.0 | 100.0 | 120.0 |
| Total Local Production | 0.0 | 0.0 | 0.0 |
| Total Exports | 0.0 | 0.0 | 0.0 |
| Total Imports | 69.0 | 100.0 | 120.0 |
| Imports from the U.S. | 18.0 | 35.0 | 45.0 |

Exchange Rate: 1 U.S. Dollar = 1 Balboa (Fixed Rate)
(The above statistics are unofficial estimates.)

4 - COMPUTERS AND PERIPHERALS (CPT)

Rank of Sector: 4

Name of Sector: Computers and Peripherals

ITA Industry Code: CPT

Comments: A number of factors contribute to a positive outlook for the computers and peripherals sector in Panama: (1) as the economy continues to expand, office automation remains one of the principal growth sectors of the economy. (2) import duties for computers (average of 7 percent over C.I.F. value) are relatively low. (3) there are many accessible computer suppliers both locally and abroad, particularly in Miami. (4) there is a growing computer culture, as a result of the high number of Panamanian graduates from U.S. schools, and the local availability of Internet services, computer magazines, journals and other literature from the U.S. Computer products from the U.S. are well received and are perceived as incorporating state-of-the-art technology. The U.S. has a strong position with a market share above 60 percent. Prices for U.S. computers are competitive against products from Japan, Korea and Taiwan. Sub-sectors with the highest growth potential are: personal computers, mid-range computers and non-impact printers. The most promising end-users are banks, commercial establishments, universities and government organizations.

| (Millions) | 1997 | 1998 | 1999 |
|-------------------------------|------|------|------|
| Total Market Size | 54.0 | 60.0 | 69.0 |
| Total Local Production | 0.0 | 0.0 | 0.0 |
| Total Exports | 0.0 | 0.0 | 0.0 |
| Total Imports | 54.0 | 60.0 | 69.0 |
| Imports from the U.S. | 32.0 | 37.2 | 43.0 |

Exchange Rate: 1 U.S. Dollar = 1 Balboa (Fixed Rate)

(The above statistics are unofficial estimates.)

5 - AUTOMOBILES AND LIGHT TRUCKS/VANS (AUT)

Rank of Sector: 5

Name of Sector: Automobiles and Light Trucks/Vans

ITA Industry Code: AUT

Comments: Sales of new automobiles in Panama reached approximately 25,000 units in 1998, following a boom period in the early 1990's. There are approximately 340,000 motor vehicles registered in the country. Car ownership is more accessible in Panama than in most Latin American countries because of the availability of long term credit at relatively cheap rates, a benefit of the dollarized economy. The Panamanian automobile market has traditionally been dominated by Japanese manufacturers. Toyota, Mitsubishi and Hyundai alone account for half of new car sales. Other important competitors are from France and Germany. Nevertheless, U.S. market share is now steadily increasing. New U.S. models with state-of-the-art technology, increased fuel efficiency, excellent design, and enticing price tags have increased the U.S. market share from 4% early in this decade, to approximately 16 percent in 1998. Key factors for effective market penetration are price, quality and after-sales service. It is

interesting to note that U.S. cars have a high receptivity on all fronts, i.e., compact cars, sub-compacts, vans, trucks, four wheel drives, and luxury cars. It is also important to point out that U.S. used cars are selling well, as a result of aggressive promotion by local distributors, excellent prices and the perceived high quality of U.S. used cars. There are no significant import restrictions for imported cars. Import duties average 20% over CIF value.

| (Millions) | 1997 | 1998 | 1999 |
|-------------------------------|-------|-------|-------|
| Total Market Size | 130.0 | 145.0 | 158.0 |
| Total Local Production | 0.0 | 0.0 | 0.0 |
| Total Exports | 0.0 | 0.0 | 0.0 |
| Total Imports | 130.0 | 145.0 | 158.0 |
| Imports from the U.S. | 20.8 | 25.0 | 28.0 |

Exchange Rate: 1 U.S. Dollar = 1 Balboa (Fixed Rate)
(The above statistics are unofficial estimates.)

6 - MEDICAL EQUIPMENT (MED)

Rank of Sector: 6

Name of Sector: Medical Equipment

ITA Industry Code: MED

Comments: The medical equipment market will grow at an estimated annual average rate of 14 percent during the next 2-3 years. This growth is supported by the current government's commitment to upgrade and expand the health services offered by the public health organizations. In 1999, the government's Social Security System will complete the construction of 3 new clinics and hospitals valued at \$35 million. The Ministry of Health is building a new hospital in the province of Veraguas valued at \$25 million. The Interamerican Development Bank (IDB) is financing a \$52.8 million health care reform program. In addition, the private sector is making substantial investments in upgrading or building new clinics and hospitals, both in Panama City and in the interior of the country. U.S. medical equipment has excellent acceptance and is represented by the best qualified distributors in the country. A great number of Panamanian doctors have been trained in the U.S. and are familiar with U.S. medical equipment and technology. There are no restrictions on importing medical equipment. Import duties are in the range of 5-15 percent over C.I.F. value. Main competitors are from Italy, France and Germany. Most promising sub-sectors are: imaging equipment, diagnostic equipment, and disposable medical products.

| (Millions) | 1997 | 1998 | 1999 |
|-------------------------------|------|------|------|
| Total Market Size | 24.0 | 30.0 | 33.0 |
| Total Local Production | 0.0 | 0.0 | 0.0 |
| Total Exports | 0.0 | 0.0 | 0.0 |
| Total Imports | 24.0 | 30.0 | 33.0 |
| Imports from the U.S. | 19.0 | 23.0 | 25.0 |

Exchange Rate: 1 U.S. Dollar = 1 Balboa (Fixed Rate)
(The above statistics are unofficial estimates.)

7 - AUTOMOTIVE PARTS AND SERVICE EQUIPMENT (APS)

Rank of Sector: 7

Name of Sector:Automotive Parts and Service Equipment

ITA Industry Code:APS

Comments: The market for new automobiles continues to be strong. This has a direct impact on the demand for automotive parts and service equipment. The car population in Panama is estimated at 330,000 units. Approximately 25,000 new cars were sold in 1998. U.S. car sales grew during recent years, initially as Japanese products became less competitive because of the yen's appreciation against the dollar. Although the yen is now substantially weaker, U.S. sales continued to increase in the first half of 1999. U.S. participation in the automotive parts and service equipment is relatively low (market share is 30-35 percent). The main competitors are Japan, Korea and Taiwan. However, the U.S. market position will improve as sales of U.S. cars increase. Demand will also remain strong for U.S.-made car parts and accessories for Japanese models. Import duties for automotive parts are 10-15 percent over C.I.F. value. There are no import restrictions on these products. Sub-sectors offering the best market opportunities are: servicing equipment, tubes and tires, and engine parts.

| (Millions) | 1997 | 1998 | 1999 |
|-------------------------------|-------------|-------------|-------------|
| Total Market Size | 56.0 | 60.0 | 66.0 |
| Total Local Production | 0.0 | 0.0 | 0.0 |
| Total Exports | 0.0 | 0.0 | 0.0 |
| Total Imports | 56.0 | 60.0 | 66.0 |
| Imports from the U.S. | 16.0 | 21.0 | 24.0 |

Exchange Rate: 1 U.S. Dollar = 1 Balboa (Fixed Rate)
(The above statistics are unofficial estimates.)

8 - COMPUTER SOFTWARE

Rank of Sector: 8

Name of Sector:Computer Software

ITA Industry Code:CSF

Comments: The market outlook for computer software improved significantly with the passage in early 1995 of a copyright bill that covers computer software products. Software piracy by individuals and corporations has been the biggest problem faced by the computer software industry. The new bill provides the legal framework for fighting piracy practices at all levels. The Business Software Alliance, a private group, has been active fighting software piracy. Best opportunities are for software productivity tools, i.e. data base software, oriented to the mid range/mainframe environment. This type of software has traditionally represented over 80 percent of the market. Another important market is for personal computer software, including word processing, spreadsheet, graphics, data base and telecommunication applications. An emerging sector is multimedia, including games, educational and other CD-Rom based applications. U.S. software publishers are well-known in Panama. Some software companies from Chile, Venezuela and Costa Rica have targeted Panama for the

introduction of Spanish-language products, mainly business applications, e.g., payroll, accounts payable/receivable, etc. There are no restrictions on importing/marketing foreign software in Panama.

| (Millions) | 1997 | 1998 | 1999 |
|-------------------------------|------|------|------|
| Total Market Size | 20.0 | 22.6 | 26.0 |
| Total Local Production | 2.0 | 2.6 | 3.0 |
| Total Exports | 0.0 | 0.0 | 0.0 |
| Total Imports | 18.0 | 20.0 | 23.0 |
| Imports from the U.S. | 17.0 | 18.0 | 20.0 |

Exchange Rate: 1 U.S. Dollar = 1 Balboa (Fixed Rate)

(The above statistics are unofficial estimates.)

9 - MANAGEMENT CONSULTING SERVICES (MCS)

Rank of Sector: 9

Name of Sector: Management Consulting Services

ITA Industry Code: MCS

Comments: Two factors provide favorable conditions for a continued development of the management consulting services market in Panama. First, under the 1977 Panama Canal Treaties, there are vast amounts of land and infrastructure reverting to Panama from the U.S. military. Panama will need to implement a number of projects to make an efficient use of these resources. The World Bank, the Inter-American Development Bank and other international organizations are or are likely to be involved in financing specific projects in these areas. Second, since Panama is a member of the World Trade Organization and the tariff protection that existed a few years ago is almost gone, Panamanian companies will have to learn to do business in a more competitive environment. This situation will create the need for consulting services aimed at increasing efficiency. The above factors will generate market opportunities for U.S. consulting companies in the following areas: land development, environment, marketing, tourism development, privatization, and energy generation.

| (Millions) | 1997 | 1998 | 1999 |
|-------------------------------|------|------|------|
| Total Market Size | 23.0 | 27.0 | 33.0 |
| Total Local Production | 6.0 | 8.0 | 10.0 |
| Total Exports | 0.0 | 0.0 | 0.0 |
| Total Imports | 17.0 | 19.0 | 23.0 |
| Imports from the U.S. | 14.0 | 15.9 | 19.0 |

Exchange Rate: 1 U.S. Dollar = 1 Balboa (Fixed Rate)

(The above statistics are unofficial estimates.)

10 - HOTEL AND RESTAURANT EQUIPMENT (HTL)

Rank of Sector: 10

Name of Sector: Hotel and Restaurant Equipment

ITA Industry Code: HTL

Comments: The market outlook for hotel and restaurant equipment in Panama has improved as a result of a tourism incentive law passed in 1994. It establishes a number of fiscal and other incentives for companies investing in tourist facilities such as hotels, restaurants, resorts, etc. Two new hotels started operations in 1998 and four more are planned in Panama City and other parts of the country. The Panamanian Tourism Institute (IPAT) is considering a number of applications for new projects that will benefit from the tourism law. The current and planned reversions of U.S. military facilities to Panamanian hands, will generate a number of tourism projects in those areas. The hotel and restaurant equipment market is very competitive. The U.S. maintains a strong leadership position. The main competitors in the kitchen equipment market are from France, Italy, Spain and Brazil. In other product lines, such as refrigeration and air conditioning equipment, competitors come from Japan and Korea. Best prospects in this sector are: kitchen equipment, decoration items (draperies, furniture), air conditioning equipment, and elevators. No import restrictions exist for these products and import duties are in the range of 10-15 percent of C.I.F value.

| (Millions) | 1997 | 1998 | 1999 |
|-------------------------------|------|------|------|
| Total Market Size | 10.5 | 13.8 | 15.0 |
| Total Local Production | 0.0 | 0.0 | 0.0 |
| Total Exports | 0.0 | 0.0 | 0.0 |
| Total Imports | 10.5 | 13.8 | 15.0 |
| Imports from the U.S. | 5.5 | 7.0 | 8.0 |

Exchange Rate: 1 U.S. Dollar = 1 Balboa (Fixed Rate)
(The above statistics are unofficial estimates.)

BEST PROSPECTS FOR AGRICULTURAL PRODUCTS

Name of Sector: Consumer Oriented Agricultural Products

PS/D: High Value Products (HVP)

Comments: U.S. Exports of HVP to Panama made an impressive increase of 34% over the previous year to an all time high of \$82 million. This was the result of increased exports of Snack foods (up 32% to an all time high of \$11 million); Red meats fresh/chilled/frozen (211% to an all time high of \$4.8 million); Red meats prepared/preserved (131% to an all time high of \$4.9 million); Poultry meat (323% increase to an all time high of \$4.8 million); Fresh vegetables (12% to an all time high of \$1.7 million); Tree nuts (36% to an all time high of \$1.4 million); and Wine and Beer (76% increase to an all time high of \$10.7 million).

Best prospect sub-sectors: beer, poultry and red meat (for processing), red meat preserved, snack foods, fresh vegetables and fruits.

| Millions) | 1997 | 1998 | 1999 |
|----------------------------------|------|------|------|
| Total Market Consumption | 234 | 218 | 264 |
| Total Local Production(1) | 325 | 221 | 309 |
| Total Exports | 232 | 165 | 231 |
| Total Imports | 141 | 162 | 186 |
| Imports from the U.S. | 82 | 98 | 118 |

Bananas, the most important export product suffered a 32% decrease in production due to a workers strike. This is reflected both in Production and in Exports.

Exchange Rate: 1 US Dollar = 1 Balboa (fixed rate)

(1) Includes production for exports.

Sources: USDA, and Office of the Comptroller General.

Name of Sector: Intermediate Agricultural Products

PS/D: O&P

Comments: This sector became second in importance by growing 70% to an all time record of \$80 million, as a result of increased exports of Soybean meal (9% to an all time high of \$25 million); Sweeteners and beverage bases (444% increase to \$21 million); Soybean oil (292% to \$10 million); Vegetable oils (42% increase to an all time high of \$5 million); Feeds and fodders (51% increase to \$5 million); and Animal fats (48% increase to an all time high of \$4 million).

Best prospects sub-sectors: Soybean meal to feed a fast growing animal industry, vegetable oils and Soybean oil.

| Millions) | 1997 | 1998 | 1999 |
|----------------------------------|------|------|------|
| Total Market Consumption | 203 | 235 | 261 |
| Total Local Production(1) | 92 | 101 | 111 |
| Total Exports | 3 | 3 | 4 |
| Total Imports | 114 | 137 | 164 |
| Imports from the U.S. | 80 | 104 | 135 |

Exchange Rate: 1 US Dollar = 1 Balboa (Fixed Rate)

(1) Adjusted for re-clasification of products.

Sources: USDA, and Office of the Comptroller General

Name of Sector: Bulk Agricultural Products

PS/D: G&F

Comments: A 19% growth to an all time high of \$64 million was the result of increased imports of Yellow corn (34% increase to an all time high of \$29 million); Rice (42% increase to an all time high of \$13 million). Demand for wheat continues strong but due to lower prices, total dollar figures are smaller.

Best prospect sub-sectors: Yellow corn, wheat, and rice.

| Millions) | 1997 | 1998 | 1999 |
|----------------------------------|------|------|------|
| Total Market Consumption | 123 | 128 | 146 |
| Total Local Production(1) | 110 | 101 | 114 |
| Total Exports | 58 | 60 | 63 |
| Total Imports | 71 | 87 | 95 |
| Imports from the U.S. | 64 | 77 | 92 |

Exchange Rate: 1 US Dollar = 1 Balboa (Fixed Rate)

(1) Adjusted for re-clasification of products.

Sources: USDA, and Office of the Comptroller General.

SIGNIFICANT INVESTMENT OPPORTUNITIES

The following areas offer investment opportunities for U.S. companies.

Reverted Areas

As a result of the Panama Canal Treaties of 1977, by December 31, 1999, the United States will complete the process of transferring to Panama 364,000 acres of land, more than 4,000 buildings and other infrastructure located in the former Canal Zone. Panama is committed to utilizing these resources to enhance the country's economic and social development. If this is to be accomplished, a number of projects will have to be developed in these areas in the very near future. The Inter-American Development Bank co-financed a \$5 million study to recommend plans for the efficient use of these resources. The study was approved by the National Assembly and became Panama's official plan for the use of the reverted areas. The Panamanian Government established the Interoceanic Regional Authority (Spanish acronym ARI), to administer the reverted resources and to devise a development strategy. Projects approved or under consideration, include manufacturing, assembly, tourism, marine services, warehousing, education, scientific research, and energy generation. Tourism and marine service projects seem to have the most potential in the reverted areas. The large American Howard Air Force Base offers special opportunities as an air cargo hub or aircraft repair and maintenance facility.

Electric Power Generation

In 1998, the Government of Panama completed the privatization of the electric sector when seven government-owned companies dealing with power generation and distribution were sold to the private sector. Panama's demand for electricity grows by 45 Megawatts per year. After the privatization, any company can participate in power generation and distribution. This represents an excellent commercial opportunity for U.S. investors.

Mining Exploration and Operation

Panama has vast amounts of mineral resources, mostly in the central provinces of the country. There is significant potential for gold, silver, copper, zinc, lead and, molybdenum. The only restriction on foreign mining companies in Panama is that 90% of all employees be Panamanians. A few Canadian firms have made sizable mining investments. The two largest are Adrian Resources Corp., and Greenstone Resources, Inc. These two companies have invested over \$100 million in mining exploration during the last three years. Several mining sites have easy access by road. Once world metal prices recuperate from the current low levels the Panamanian mining sector will offer excellent investment opportunities. For information on mining investment opportunities, contact the Ministerio de Comercio e Industrias, Direccion de Recursos Minerales.

Water and Sewage

The Government of Panama wants to give more participation to the private sector in the water and sewage sector. A privatization plan was developed that called for granting a 30 year concession for the operation of the National Water and Sewage Company (IDAAN) but it was postponed when violent political opposition manifested itself. A number of foreign companies, mainly European, showed interest in the IDAAN privatization. Panama has a total population of 2.6 million, 1.7 million have access to IDAAN services. It has 304,577 connections. Approximately 69% of the clients are located in Panama City and Colon. IDAAN's revenues in 1998 were approximately \$ 65 million. As of July 30, 1997, it had assets amounting to \$428 million. Water production capacity is 43,099.6 M3/HR. IDAAN has been plagued by a number of problems, including bad management, low investment and widespread inefficiency. IDAAN water losses are estimated at 50%, of which 20% are technical and 30% commercial. Multimillion dollar investments are necessary to modernize and upgrade the country's water and sewage system and large private investment will be required in one form or another.

Forestry

The Government of Panama is leasing under 20 year contracts (re-newable for 20 additional years), over 20,000 Acres of land in the water shed of the Panama Canal and also in Central Provinces, to anyone interested in establishing forestry projects, for commercial purposes. Private forestry projects may be combined with fruit production plans and eco-touristic plans. Size of parcels vary from 250 to 4,000 Acres, with no limit to total amount of land rented by a single individual or concern. Rental prices range from \$8.00 to \$16.00 per Acre per year. According to Panamanian legislation, forestry activity has many tax incentives, including import tax exemptions (for equipment), and income tax exemptions. (For more up-dated information refer to The Foreign Agricultural Service, American Embassy Panama, Unit 0945, APO AA 34002, Tel (507) 227-1777, Fax (507) 225-4209, E-mail: OfficePanama@mail.doc.gov)

NOTE: "The Government of the United States acknowledges the contribution that outward foreign direct investment can make to the U.S. economy. U.S. foreign direct investment is increasingly viewed as a complement or even a necessary component of trade. Nearly sixty percent of total U.S. exports originate with American firms with investments abroad. Recognizing the benefits that U.S. outward investments brings to the U.S. economy, the government of the United States undertakes initiatives such as Overseas Private Investment Corporation (OPIC) programs, Bilateral Investment Treaty negotiations and business facilitation programs, that support U.S. Investors."

VI. TRADE REGULATIONS AND STANDARDS

TRADE BARRIERS (TARIFFS, NON-TARIFF BARRIERS AND IMPORT TAXES)

Traditional policies on trade and economic incentives directed agricultural and manufacturing production toward import-substitution until the end of the 1980's. Today, Panama's nominal tariff duties are the lowest in the region. Panama averages 12% in tariff rates.

The country has also made significant progress in eliminating quantitative restrictions. From 1991 to 1996 the Government of Panama enacted a trade liberalization program, with the following initial objectives:

- To reduce the ceiling on import tariffs to 40 percent for industrial products and to 50 percent for agro-industrial products.
- To eliminate all specific import tariff rates.
- To eliminate quantitative import restrictions for agricultural products and replace them with tariff protection.

The Government accomplished these objectives and went further by setting an import tariff ceiling of 15% effective January 1, 1998. Some exceptions exist for agricultural products and a few other products such as automobiles.

Panama, is now a full member of the World Trade Organization (WTO). However, its import duty structure is significantly lower than the one negotiated for WTO accession.

CUSTOMS VALUATION

Panama assesses import duties on an ad valorem basis. The ad valorem system uses the declared C.I.F. value as the basis for import duty calculations and in some cases utilizes historical price information as a reference.

In addition to the duty, all imports into Panama are subject to a 5 percent transfer or value added tax (ITBM) levied on the C.I.F. value, plus import duty and other handling charges. Pharmaceuticals, foods and school supplies are exempt from the ITBM tax.

In 1995, Panama changed its international trade classification system from the Customs Cooperation Council Nomenclature (CCCN) and Brussels Tariff Nomenclature (BTN) to the Harmonized System (HS).

IMPORT LICENSES

No import licenses are required in Panama. Any company holding a commercial license can freely import goods into Panama. A commercial or industrial license is required by individuals or companies engaged in commercial or industrial activities.

EXPORT CONTROLS

The Fiscal Code regulates all matters concerning the country's exports. The Code establishes that all national products may be exported, except:

- drugs, with the exception of those having pharmaceutical or scientific purposes.
- staple products determined by the Government to be temporarily scarce in the country; and,
- those products the Panamanian Government decides not to export for reasons of convenience or in the economic interest of the country.

Exports subject to the payment of export taxes require an Export Authorization, which is issued by the National Customs Office, Ministry of Economy and Finance. (See Appendix E for contact information.) Exports subject to taxes are: bananas, metals, raw sugar and natural resources. Exports of textiles are also subject to an export authorization.

IMPORT\EXPORT DOCUMENTATION

Import Documentation

The processing of customs documents in Panama for imports is fast, efficient and reliable. Merchandise imported into Panama must be cleared through customs by a customs broker licensed by the Government of Panama. Exceptions are made for goods which are imported duty free, consigned to national or municipal governments, imported by foreign diplomats, sold to the authorities of the Canal Area, sold to vessels transiting the Canal, or intended for reexport.

Basic import documentation required by the Panamanian Customs office is:

- Import Declaration (Prepared and signed by a Customs Broker),
- Commercial Invoice (To be presented in English or Spanish in quadruplicate),
- Airway Bill,
- Bill of Lading (To be presented in triplicate),
- Commercial License Number,
- Phytosanitary Certificate (In case of meat and meat products, to be obtained from the U.S. Department of Agriculture), and,
- Certificate of Free Sale (if required)

Any food product or other item used for human consumption (including for use on human skin or clothes) may be subject to the Certificate of Free Sale (CFS) documentation requirement. The main purpose of the CFS is to prevent the dumping of inferior goods, especially for human consumption, on the Panamanian market. The CFS must verify that a product is sold freely and used widely in the U.S. Potential exporters of items subject to the CFS documentation requirement may wish to either contact:

- (1) their trade association which may provide the service of issuing the documentation, or,
- (2) the Food and Drug Administration, Division of Programs and Enforcement Policy, 200 C Street, SW, Washington, DC 20204.

If for any reason the bill of lading or any other required document cannot be presented within 24 hours after the shipment has arrived, clearance of the goods will be permitted by posting a bond equal to the amount of import duties. The bond is cancelled if the prescribed documents are presented in due form within a period of 90 days. The bond may be extended in justified cases, an additional 90 days.

Export Documentation

The Vice Ministry of Foreign Trade was created in 1998 to promote exports and investment. It facilitates the processing of export

documentation through a "One Stop" (ventanilla unica) office which can reduce the export process to a few hours. (Refer to Appendix E for contact information on the Vice Ministry of Foreign Trade).

Export documentation required by Panamanian Customs authorities is:

- Commercial Invoice,
- Export Declaration (usually prepared and signed by a Customs Broker),
- Certificate of Origin (issued by the Chamber of Commerce, Industry and Agriculture of Panama or the Panama Trade Development Institute),
- Bill of Lading,
- Airway Bill,
- Veterinary, Sanitary or Phytosanitary Certificate (when applicable).

TEMPORARY ENTRY

The Panamanian Fiscal Code establishes a temporary entry regime of up to one year for all types of merchandise. There are two options. First, the goods can enter the country if the importer makes a deposit equivalent to the import duty. This payment will be reimbursed at the time the goods leave the country. Second, an insurance company can issue a bond for the importer covering the import duty value, payable if the goods fail to exit the country as scheduled.

Special temporary provisions apply in the case of trade shows and exhibitions taking place at the Atlapa Convention Center, Panama's exhibition and convention center. Goods can enter the Atlapa Convention Center with no warranty payment or bond required. The merchandise to be displayed in certain trade shows enjoys duty free status and may be sold off the floor duty free.

Samples with commercial value are subject to temporary entry requirements. Samples with no commercial value are admitted duty free. If samples arrive in large containers, they will be dutiable even though they may be marked as free samples.

LABELING, MARKING REQUIREMENTS

Panama has no special regulations for labeling and marking. Labels are required to have basic information regarding the name and address of the manufacturer, expiration date, list of ingredients, lot number, and the product form, e.g. powder, liquid, etc.

Labels in English are accepted, except medicines, household products and foods which require special instructions. In these cases instructions regarding dosage, usage, warnings, etc., must be in Spanish.

All goods arriving in Panama intended to be reexported immediately must be marked "PANAMA IN TRANSIT" on each box or outside container.

In general, products which comply with U.S. labeling and marking requirements will also meet local requirements and are suitable for sale in Panama.

PROHIBITED IMPORTS

The following products cannot be imported into Panama:

- Counterfeit coins or printed material that imitates currencies,
- Equipment or instruments for manufacturing coins,
- Liquors, wines, beers or medicines with labels that falsely describe contents, or of any kind of harmful preparation,
- Certain firearms or war materials,
- Foreign lottery or raffle tickets,
- Opium in the form of gum or for smoking,
- Obscene brochures, books, newspapers, magazines, or postcards containing negative portrayals of the country's culture, civilization or dignity, and,
- Plants, seeds, or animals when determined by the Ministry of Agriculture.

STANDARDS (E.G. ISO 9000 Usage)

The Government of Panama designated the Comision Panamena de Normas Tecnicas (COPANIT), an agency of the Ministry of Commerce and Industry, as the domestic registering authority for participation in the International Standards Organization ISO-9000 program. There is no legal limitation in Panama on participation in ISO-9000 by firms doing business here. In fact, an increasing number of Panamanian firms are seeking or have already obtained ISO-9000 certification. Panama is a member of the Pan American Standards Commission (COPAN), headquartered in Venezuela.

FREE TRADE ZONES/WAREHOUSES

The Colon Free Zone

The Colon Free Zone (CFZ), the largest in the Western Hemisphere and second in the world to Hong Kong, is located in the City of Colon, adjacent to Manzanillo International Terminals on the Atlantic side of Panama and 90 kilometers from Panama City. Goods (except firearms or petroleum products) may be imported, stored, modified, repacked and re-exported without being subject to any customs regulations.

Most Free Zone merchandise is transshipped from Panama to other parts of the Western Hemisphere and Europe. Imports into the CFZ come mainly from the Far East. The largest individual supplier of the CFZ in 1998 was Hong Kong, followed by Japan, the United States, South Korea and Taiwan. These five countries supplied nearly 70 percent of all CFZ imports in 1998. Colombia is the largest purchaser of merchandise, buying nearly 27 percent of all CFZ exports. Other principal buyers are Ecuador, Panama (domestic market), Venezuela, the United States, Chile and Guatemala. These countries (including Colombia) buy approximately 60% of all exports from the CFZ.

The CFZ is administered as an autonomous institution of the Panamanian Government. It has been in operation since 1953. Today it is completely developed, and covers 300 hectares, including 45 hectares designated as an industrial zone.

The CFZ offers free movement of goods and complete exemption from taxation on imports and re-exports. There are no taxes on the export of capital or the payment of dividends. In addition, there are reduced income tax rates on earnings from re-export sales. Furthermore, firms located in the CFZ are exempt from import duties as well as from guarantees, licensing, and other requirements and limitations on imports. Due to its geographic location, the CFZ is a major factor in channeling goods from large industrialized countries to consumer markets in Latin America. Unfortunately, the CFZ has also been used by the Colombian drug cartels for money laundering and drug trafficking. Other problematic transactions include trade in pirated intellectual property and stolen vehicles.

The CFZ is operated and managed by its Board of Directors, an Executive Committee and the General Manager of the institution. Corporations or individuals of any nationality may establish operations in the CFZ without obtaining a commercial license or investing any minimum amount of capital. Firms interested in operating in the CFZ must file an application and provide a copy of articles of incorporation and bank references.

There are four basic ways of doing business in the CFZ:

1. Leasing lots on which the firm builds a warehouse or other facilities as designed by the firm. Land leases are granted for a 20-year period;
2. Purchasing an existing facility from the Zone Administration;
3. Reaching an agreement with a company already established in the CFZ as the operator's representative. The cost of this service is set by mutual agreement between the parties concerned. Representation agreements are subject to the approval of the Zone Administration; or,
4. Leasing a public warehouse operated by the Zone Administration. The firm receives its goods and stores them like any other company there. There are no fixed costs and payment is based on the weight or volume of the goods stored.

Companies operating in the CFZ can be engaged in four types of sales operations:

1. Re-export of goods from CFZ warehouses;
2. Sales to clients located within Panama's customs territory;
3. Direct sales to foreign clients in which goods are shipped from a third country manufacturer without physically arriving in the CFZ; or,
4. Transfers in which sales are made to other CFZ firms.

Companies operating from the CFZ enjoy numerous trade advantages along with special tax incentives such as tax credits, depending on the number of Panamanian employees, and special income tax rates on foreign trade operations. Companies in the free zone pay no corporate income tax. Dividends paid on profits from foreign trade operations and from direct sales are not subject to the dividend tax. Merchandise arriving at, stored in, or leaving the CFZ destined for a foreign country is exempt from taxes, charges or any type of fee. Also, CFZ companies are not subject to any type of federal or municipal tax.

Contact the CFZ Administration and the Users Association for more information. (Refer to Section II of this report for key statistical information on the CFZ and to Appendix E for contact information).

Export Processing Zones

On November 30, 1992, Panama passed Law No. 25 allowing for the establishment and development of Export Processing Zones (EPZ) within the country.

EPZs are well-defined areas for the establishment of industrial, commercial and service facilities which operate in a free trade system. All or most production is exported. A range of incentives have been established to attract companies into the EPZs.

Companies allowed to establish operations in EPZ are those engaged in manufacturing, assembly, high technology, and specialized and general services, e.g. computer data entry, reinsurance.

The EPZ law establishes two classes of EPZ firms. The first consists of EPZ developers and the second of tenant companies within the EPZ.

The Panamanian Government offers the developer the following tax incentives:

Exemption during the life of the contract (the maximum is 20 years), from taxes, duties and other charges related to the importation of machinery, equipment, accessories and material used in the construction of the facilities. Exemption from property and income taxes, and taxes on capital or assets for the first ten years of operation. From the 11th year until the end of the contract, the developer is exempt from income tax on net earnings reinvested in the development and expansion of the EPZ, provided that the amount reinvested exceeds 20 percent of the net taxable income for the fiscal year the reinvestment is made. Lastly, the developer may carry over losses from the year in which the loss takes place.

The tenant companies exporting from an EPZ are offered the following benefits:

Exemption from taxes, duties and other charges related to the importation of machinery, equipment, raw materials, semi-processed goods and other materials such as packaging, fuel and lubricants used in the manufacturing process. Exemption from income tax on profits arising from exports, and exemption from export sales taxes, as well as from taxes on capital and assets of the export industry.

The EPZ law also includes specific labor and immigration provisions for employees of EPZ firms which are more favorable than the current Panamanian Labor Code.

Presently, there are six EPZs approved by the GOP. Most of them are in early stages of development. Contact the Vice Ministry of Foreign Trade for information on EPZs. (Refer to Appendix E for contact information on the Vice Ministry of Foreign Trade).

Petroleum Export Zones

The Government of Panama enacted Decree No. 29 (Executive Decree) dated July 14, 1992, allowing the creation of Petroleum Export Zones (PEZ) in specially-designated areas in Panama.

Decree No. 29 allows any foreign or national company to establish operations in a PEZ to produce, refine and export petroleum products. It also permits direct sales to foreign vessels transiting the Panama Canal, and to foreign airlines. Companies operating out of these PEZs are exempt from municipal or federal taxes and are not subject to government regulations affecting the local market.

The Government of Panama has authorized the following seven Petroleum Export Zones: Petroterminal de Panama (PTP, the transisthmian pipeline), Refineria Panama (TEXACO), Autoridad Portuaria Nacional (APN, the Port Authority), Aeropuerto Internacional de Tocumen, Petroport, S.A., Alireza Mobil Terminal, S.A., and Atlantic Pacific, S.A.. Contact the Ministry of Commerce and Industry, Direccion Nacional de Hidrocarburos for more information.

SPECIAL IMPORT PROVISIONS

Special import permits are required for all types of firearms and ammunition. Import permits can be obtained from the Ministry of Government and Justice.

MEMBERSHIP IN FREE TRADE ARRANGEMENTS

Panama is not a party to any agreements providing completely free trade, but does have bilateral preferential trade agreements with Costa Rica, El Salvador, Honduras, Guatemala, Nicaragua and the Dominican Republic. These accords are quota-based and deal with a limited number of specific products. There are also limited preferential agreements with Mexico, Dominican Republic and Colombia. Negotiations are under way to sign full-blown trade agreements with Chile and Mexico. Panama has also agreed to negotiate a more inclusive preferential agreement with Central America and the Andean Free Trade Agreement (Pacto Andino).

Panama is a beneficiary of the Caribbean Basin Economic Recovery Act, better known as the Caribbean Basin Initiative (CBI), which provides for one-way free trade access for specific Panamanian exports to the U.S. The U.S. Government is considering new legislation that would enhance the CBI program. In return for NAFTA-like treatment for textiles and certain other products the Caribbean Basin nations would be asked to negotiate bilateral investment treaties, and protect intellectual property rights, workers rights and the environment.

VII. INVESTMENT CLIMATE

OPENNESS TO FOREIGN INVESTMENT

Based on Panama's central geographic location and its limited manufacturing and agricultural sectors, the Government of Panama and the business community actively promote this country's long-standing

reputation as an international trading, banking, and services center, and as a site for foreign direct investment (FDI). Panama's dollar-based economy offers low inflation and no foreign exchange risk. The Panamanian Vice Ministry of Foreign Trade provides investors with information, expedites specific projects, leads investment-seeking missions abroad, and supports foreign investment missions in Panama.

U.S. companies own or are partners in many of the largest investments in Panama. Major U.S. investments include:

- Panama's only refinery (Texaco),
- Latin America 's largest container port (Stevedoring Services of America),
- Chiriqui Land Company (Chiquita Brands International),
- Power generation and distribution facilities (Constellation Power, AES, Enron, and Coastal Power),
- a cellular telephone concession (Bell South),
- the transisthmian oil pipeline (moth-balled) and container port at Chiriqui Grande (60% owned by Northville Industries and Chicago Bridge and Iron),
- an oil storage and transit facility (Mobil, in partnership with Alireza of Saudi Arabia), and
- 49% of COPA airline (Continental Airlines).

A U.S. partnership (Kansas City Southern Industries and Mi-Jack Products) has begun an expected \$50 million investment to rebuild and operate the transisthmian railroad.

Large non-U.S. foreign investments include:

- the local telecommunications company (Cable and Wireless of the U.K., 49% owner with management rights),
- the ports of Balboa and Cristobal, (Hutchison Port Holdings of Hong Kong),
- a container port (Evergreen of Taiwan),
- a power distribution company (Union Fenosa of Spain), and
- three private toll roads (PYCSA (2) and ICA (1), both of Mexico).

The Perez Balladares government, which took office on September 1, 1994, embarked on a vigorous campaign to improve Panama's international image and attract Foreign Direct Investment (FDI). The current administration will step aside on September 1, 1999 for the incoming government of Mireya Moscoso. A major challenge for the new government, as it has been for the outgoing administration, will be the development of the U.S. military areas being reverted under the Carter-Torrijos treaties.

Projects underway include the former Arraijan fuel tank farm which is being managed by a U.S./Saudi partnership; a new commuter airport at the former Albroke Airfield, replacing the Paitilla Airport; and a sputtering Taiwanese investment in an industrial "export processing zone" (EPZ) in the former U.S. base Fort Davis. Several other projects are on the drawing board, including major tourist projects at the former Fort Amador on the Pacific and Fort Sherman on the Atlantic; a multi-use facility at Howard Air Base; and an academic community (City of Knowledge) at Fort Clayton.

Neglected throughout the Torrijos-Noriega years, basic public infrastructure development has been a priority for the current administration. One major new urban highway is complete and two others are under construction. In addition, both the Inter-American and the Transisthmian Highways are being widened. Other infrastructure development includes Cable and Wireless' plans to invest over \$500 million in the recently privatized (1997) telecom through 2002 and multimillion dollar investments in the newly privatized power generation and distribution facilities. The planned privatization of the water utility has been put on hold after violent demonstrations in December 1998. The incoming Moscoso administration has promised not to privatize the water utility.

While recent bids under the Perez Balladares government have been open, transparent, and relatively problem-free, the government came under fire in 1997 for its failure to establish and follow clear rules in public bidding and procurement practices. One particularly badly managed public concession award led to widespread allegations of corruption and soured some American companies on doing business in Panama, undermining the image the Government has tried to create with its policy reforms.

The tax system promotes savings and investment by giving a wide variety of incentives and maintaining rates which are comparable to those in the U.S. The maximum personal income tax rate is 34% and the maximum corporate rate is 30% of domestically produced earnings. Although tax collection methods have been strengthened lately, the overall regulatory and supervisory framework is weak. In April 1993, a law was passed granting tax incentives for the creation of voluntary pension funds (IRA's) by individuals or corporations.

Panama has privatized a number of state-owned enterprises. To date, completed privatizations include the state telecom; electricity generation and distribution utilities; the transisthmian railroad; ports at both entrances to the Canal; two state-owned sugar companies; casino operations; the state cement company; a state-owned fruit company; and a horse racetrack. The national airport and a major convention center are scheduled for privatization in 1999, though the airport privatization has been placed on hold pending review by the incoming administration. Privatization of the state water utility was halted in 1998 due to violent protests against its sale.

Inflexible labor laws have been cited as a problem by local businessmen. Excessive regulation of hiring and firing practices reduces labor mobility and flexibility. The combination of high electricity and telecommunications costs and the highest minimum wage in Central America deters some investors.

The Panamanian Constitution forbids certain kinds of monopolistic behavior. The Government of Panama passed in February, 1996 an Antimonopoly Law, designed to prevent monopolistic practices and create a consumer protection regime. As well, Panama has lowered overall tariff protection to one of the lowest average rates in Latin America. Consumers are protected by the consumer protection division of the Ministry of Commerce and Industry which has instituted fines for practices ranging from selling expired products to price-gouging. Panama does not have a bankruptcy law to facilitate the restructuring

of firms, such as Chapter 11 in the U.S., although the new banking law gives the Superintendent of Banks considerable powers in this regard for the banking sector.

RIGHT TO PRIVATE OWNERSHIP AND ESTABLISHMENT

With the exception of retail trade and certain professions, foreign and domestic entities have the right to establish, own, and dispose of business interests in virtually all forms of remunerative enterprise. Foreigners need not be legally resident or physically present in Panama to establish corporations or to obtain local operating licenses for a foreign corporation. Business visas (and even Panamanian passports) are readily obtainable for significant investors. Banking, legal and financial services and the legal regime are strongly oriented toward attracting foreign business and banking activity.

Panama's privatization framework law does not distinguish between foreign and domestic investor participation in prospective privatizations. The law calls for pre-screening of potential investors or bidders in certain cases to establish technical viability, but nationality and Panamanian participation are not criteria. Foreigners have participated actively and successfully in all privatizations to date.

PROTECTION OF PROPERTY RIGHTS

Some of Panama's business, corporate, and banking codes have been modernized. They are, in general, enforced so as to create a favorable business climate, although there is no modern bankruptcy law. Mortgages, liens, and other security interests are recognized. There is a public property registry, which is undergoing expansion and modernization. Unique features of Panamanian law and practice in specific areas (including but not limited to banking, accounting requirements, formation and functioning of corporations, and taxation) make retention of local legal counsel highly advisable. The civil legal system has a very large backlog and is not viewed as fair or impartial by most Panamanians. Reform of the judicial system is on the agenda of the new government.

Intellectual Property Rights: Panama is a member of the World Intellectual Property Organization (WIPO), the Geneva Phonograms Convention, the Brussels Satellite Convention, the Universal Copyright Convention, the Bern Convention for the Protection of Literary and Artistic Works, the Paris Convention for the Protection of Industrial Property, and the International Convention for the Protection of Plant Varieties. In November 1998, it ratified the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty.

Protection of intellectual property rights in Panama has improved significantly over the past several years, but serious concerns remain. Representatives of some U.S. firms allege that Panama provides inadequate copyright and trademark protection. For example, Nintendo of America and associated video game manufacturers petitioned the U.S. Trade Representative (USTR) in 1995 to remove Panama's benefits under the Generalized System of Preferences (GSP) program. However, in October 1998, USTR dismissed the petition, citing improvement in Panama's IPR regime.

In USTR's "Special 301" April 1998 review of IPR policies and practices, Panama was placed in the "Other Observations" category. It was not listed in any category in the April 1999 review. However, USTR remains concerned about inadequate border measures to combat transshipment of counterfeited goods through Panama and about enforcement deficiencies in the Colon Free Zone (CFZ). In March 1998, an Intellectual Property Department was created in the CFZ. This is viewed as a positive step demonstrating Panama's will to improve enforcement, and the new Department has enjoyed some success, but an expanded effort will be required to address this problem more completely.

In August 1994, the Legislative Assembly passed Law 15 (the Copyright Law) to help modernize copyright protection. A new Industrial Property Law (Law 35) went into force in November 1996. The Government also passed an Anti-Monopoly Law in early 1996 mandating the creation of four commercial courts to hear anti-trust, patent, trademark, and copyright cases exclusively. Two courts and one superior tribunal began to operate in mid-1997, but establishment of the other courts has been delayed. Some U.S. intellectual property owners have experienced significant delays when they have sought infringement remedies in the Panamanian judicial system.

Over the past several years, Panamanian authorities have conducted numerous raids against large video piracy operations, and several cases are pending in the courts. In a series of raids in September 1998, authorities seized more than 5 million pirated compact discs being transshipped through Tocumen International Airport, believed to be the largest seizure ever in Latin America. Over the past year, the CFZ's IPR Department conducted more than 20 raids against CFZ companies accused of trafficking in counterfeit trademarked goods. The operating permits of some CFZ companies have been suspended as a result, but transshipment of such goods remains a serious problem.

Patents: Panama's Industrial Property law provides 20 years of patent protection in place of the former period of 5 to 15 years for foreigners and 5 to 20 years for Panamanians. The law grants patent protection from the date of filing. Pharmaceutical patents are granted for only 15 years, but can be renewed for an additional ten years, if the patent owner licenses a national company (minimum of 30% Panamanian ownership) to exploit the patent. The law also provides for protection of trademarks, simplifying the process of registering trademarks and making them renewable for ten-year periods. The Industrial Property Law provides specific protection for trade secrets.

Copyrights: The National Assembly in 1994 passed a comprehensive copyright bill, based on a World Intellectual Property Organization model. The law modernizes copyright protection in Panama, provides for payment of royalties, facilitates the prosecution of copyright violators, protects computer software, and makes copyright infringement a felony.

Although the Attorney General's Office has taken a vigorous enforcement stance, the Copyright Office has been ineffective, and Panama's judicial system has not provided speedy and effective remedies for private civil litigants under the law. Panama is in the process of

modernizing its copyright registration and patent and trademark registration capabilities. The Government had plans to consolidate copyright, patent, and trademark functions into a single autonomous entity, but is unlikely to do so before a new government takes office September 1. An initiative to create a specialized Prosecutor's Office for IPR has been delayed due to resource constraints.

PERFORMANCE REQUIREMENTS / INCENTIVES

There are no performance requirements such as minimum export percentages or significant local procurement rules. There are special tax and other incentives for manufacturers to locate in an export processing zone (EPZ). Official support for investment and business activity is especially strong for the Colon Free Zone (CFZ), the banking sector, the tourism sector, and EPZs.

Companies in the CFZ pay no taxes. Banks in Panama pay no tax on interest or other income earned outside Panama and withhold no tax on savings or fixed time deposits in Panama. EPZs offer tax-free status and special immigration privileges, and license and customs exemptions to manufacturers who locate there. Law 8 of 1994 offers tax and other incentives to investors in tourist industries.

Tourism incentives laws provide, among other measures, tax exemptions for vehicles and other designated goods imported for use in, or to construct infrastructure for, the tourist sector. Similar incentives exist for the mining sector.

Law 28 of 1995 abolished national industry and export incentives. Nevertheless, contracts which were created prior to Law 28 continue to receive the benefits of the previous incentives. Investors should seek legal and accounting advice to evaluate potential investment incentives.

TRANSPARENCY OF THE REGULATORY SYSTEM

In 1996, the Government's handling of the ports privatization and the concession for a 132 megawatt hydroelectric plant on the Esti River was unorthodox and lacked transparency. In both cases, lack of transparency raised questions of corruption, and some large international firms became soured on doing business in Panama. Also in 1996, the Government of Panama abruptly and inexplicably halted the bid process for a 100 megawatt thermal electric plant. In that case, eight of the ten pre-qualified bidders were American companies.

In December, 1996 the government revoked the cable television operating license of American company Cellular Vision on very thin grounds. The government has failed to re-evaluate the case despite a ruling by the Administrative Attorney General in August 1997, who found that the revocation warranted reconsideration. In April, 1997, a year after American company Unisys was declared the winner in a bid for the supply of about \$15 million worth of computer equipment, the government declared the award void. The bid was never restarted.

The contract negotiations to rehabilitate and operate the Panama Canal Railway were delayed and complicated due to a land dispute arising from the ports privatization concession a year earlier. Successful

resolution of the negotiations in January 1998 depended on a \$40 million credit to Hutchison Port Holdings, which had received in its ports concession property needed by the railroad.

Since these questionable and less than transparent bids and negotiations, the government has conducted several major sales without incident, including the power distribution and generation facilities and the telecom company.

LABOR

While the Government of Panama has revised its labor code, the code nevertheless remains highly restrictive. Greater flexibility, easier termination of workers, and the elimination of many constraints on productivity-based pay must await a future amendment to the code.

The Panamanian labor force numbers 1,083,500, with about 80% employed in the private sector and 20% in the public sector. Unemployment in 1998 was 13.4%. Minimum wages range from \$0.76/hr. to \$1.33/hr., depending on the sector and the location.

EFFICIENT CAPITAL MARKETS AND PORTFOLIO INVESTMENT

Stock market financing is limited due to the small size of the national stock exchange, and the limited liquidity which is therefore available. Bank and non-bank financing is available on market terms to private domestic and foreign investors. Panamanian interest rates closely follow international rates (i.e., the London Interbank Offered Rate - LIBOR), plus a country-risk premium. The rate on a domestic commercial loans was 9.9% in 1998, while the six-month domestic deposit rate was 6.7%.

Traditional bank lending from the well-developed banking sector is relatively efficient and is the most common source of financing. Some private companies -- including foreign multinational corporations -- have issued bonds in the local securities market. Companies rarely issue stock on the local market. When they do, investor demand is limited because there is a 10% withholding tax on dividends, although company earnings on the exchange are tax exempt (fixed bank deposits and certain bonds are tax-exempt).

The private sector has access to a variety of credit instruments. Cross-shareholding or stable shareholder arrangements, designed to restrict foreign investment through mergers and acquisitions, do not exist. There are no restrictions on, or customary measures to prevent, hostile foreign investor takeovers, nor are there regulatory provisions authorizing limitations on foreign participation or control, or other practices to restrict foreign participation. There are no government or private sector rules to prevent foreign participation in industry standards-setting consortia.

A new Banking Law, passed in March 1998 regulates Panama's banking sector. The law, which concentrates regulatory authority in the hands of a powerful and well-financed Superintendent, transforms the previously inadequate regime into one which will be able to meet international standards. Total bank assets in 1998 were \$36.6 billion.

CONVERSION AND TRANSFER POLICIES

Panama has no legal restrictions on the transfer abroad of funds associated with, profits deriving from, or capital employed in an investment. Panama uses the U.S. dollar as legal tender. Currency conversion therefore is not an issue. The Government of Panama has repeatedly emphasized its intention to retain the U.S. dollar as the national currency. There is, therefore, no independent monetary policy in Panama. Inflation, bound by the dollar, is low and predictable, thus enhancing the attraction of foreign investment.

EXPROPRIATION AND COMPENSATION

There are no large enterprises at apparent risk of expropriation. There is no de jure discrimination against U.S. or other foreign investors in most areas. There is a constitutional prohibition against foreign land ownership within ten kilometers of the national border or on an island. Neither Panamanian citizens nor foreigners may own beaches or the shores of rivers or lakes. Builders and investors generally rent the land for 20-30 years, via the Ministry of Economy and Finance. The tourism incentives law expands this period for up to 40 years.

DISPUTE SETTLEMENT

Panama has a court and judicial system built around a civil code, rather than the Anglo-American system of reliance upon case law and judicial precedent. Fundamental procedural rights in civil cases are broadly similar to those available in U.S. civil courts, although some notice and discovery rights, particularly in administrative matters, may be less extensive than in the U.S. Judicial pleadings are not always a matter of public record, nor is the process always transparent.

Many U.S. investors lack confidence in the Panamanian judicial system as an objective, independent arbiter in legal or commercial disputes, especially when the case involves powerful local figures with political influence. When disputes with foreign investors arise, as they do from time to time, the investors often choose not to pursue remedies available to them via the court system. The decision by investors to avoid the court system is understandable, given massive case backlogs and the aforementioned political influence in case outcomes.

Panama became a member of the International Center for the Settlement of Investment Disputes (ICSID) in 1996. The United States and Panama are near to signing an amendment to the Bilateral Investment Treaty to incorporate Panama's membership.

Panama enacted an Investment Stability Law in 1998, which among other things guarantees foreign investors ten years to adjust to changes in the regulatory regime made after the investment. One less attractive feature of the new law is that it calls for foreign investors who take advantage of the law's benefits to waive their rights to enlist the support of their Embassy in case of a dispute. The USG position on this clause is that the USG has a sovereign right to make diplomatic representations in matters of concern to it, a right that cannot be waived by a private investor.

POLITICAL VIOLENCE

Political violence in Panama is rare. National elections in 1994 and 1999, which international and domestic observers agree were clean and fair, show how far Panama has come in re-building its democratic political process. The 1994 election was followed by a calm and coordinated transition, and there is every reason to suppose that the 1999 transition will be just as smooth.

Concentration of wealth, the high unemployment rate (officially 13.4% but much higher in certain urban areas) and illicit drugs have been cited as the chief causes of crime. This is especially true in Panama's second largest city, Colon, where unemployment among young people is close to 50% and lack of housing and extreme poverty is commonplace. Although attempts are being made to reform the criminal justice system, it is overloaded, cumbersome, inefficient and at times inequitable.

Previous acts of violence in Panama include a June 1994 grenade used to bomb the car of a prominent Jewish businessman. No arrests have been made in that case. In July, 1994, a Panamanian domestic commuter aircraft traveling between Colon and Panama City exploded, killing 21 people, including three American citizens. The attack, which killed several well-known members of Panama's Jewish community remains under investigation and the motive is still unknown. The two incidents prompted the government to tighten airport security and to promise increased police vigilance against terrorists and their alleged support networks. Violent protests broke out in December 1998 over the proposed privatization of the state water utility. Three days of protests resulted in several hundred injuries but no deaths.

BILATERAL INVESTMENT AGREEMENTS

Panama has bilateral investment agreements with the United States, the United Kingdom, France, Switzerland, Germany and Taiwan. Panama is not a party to any agreements providing for completely free trade, but does have bilateral preferential trade agreements with Costa Rica, El Salvador, Honduras, Guatemala, Nicaragua, Colombia, Dominican Republic, Mexico, Germany, Bulgaria, Czech Republic, Hungary, Romania, Russia, and Poland. Panama has committed to negotiate a free trade agreement with the Andean Pact and is negotiating agreements with Mexico and Chile.

OPIC AND OTHER INVESTMENT INSURANCE PROGRAM

OPIC currently supports only one U.S. investment in Panama. In previous years, OPIC has supported over 30 projects in Panama. Expansion of OPIC programs would be possible if Panama facilitated approval of OPIC-insured investment and changed a law penalizing businesses that take advantage of OPIC support. The law makes it impossible for investors to use real property as collateral for OPIC loans and insurance. OPIC has no desire to own land in Panama, but it typically collateralizes loans with land, as is standard worldwide.

CAPITAL OUTFLOW POLICY

The U.S. dollar is legal tender in Panama. There are no restrictions on capital outflows.

MAJOR FOREIGN INVESTORS

- Adrian Resources
- AES Corporation
- Alireza Mobil
- American Airlines
- American Hospital Supply Co.
- American Life Insurance Co.
- AOKI Corporation
- AT&T
- Banco Do Brasil
- Banco Exterior, S.A.
- Becton Dickinson & Co.
- Bell South Corp.
- Black and Decker International Corp.
- Braswell Service Group
- Bristol Laboratories International Corp.
- Cable and Wireless (U.K.)
- Challenge Air Cargo
- Chase Manhattan Bank, N.A.
- Cheesebrough Pond's Int. Ltd.
- Chiriqui Land Company (Chiquita)
- Chevron Corp.
- Citibank, N.A.
- Coastal Power
- Coca-Cola Bottling Co.
- Colgate Palmolive (Central America), Inc.
- Constellation Power
- Continental Airlines
- Cyprus Minerals Co.
- Del Monte Corporation
- Dole Foods Co.
- Eastman Kodak Company
- Enron Power
- Environmental System Research Institute
- Exxon Corp.
- Esso Standard Oil, S.A.
- First National Bank of Boston
- Freeport Exploration Co.
- General Mills Inc.
- Georgia Pacific Corp.
- Gillette Co.
- Glidden - Durkee
- Greenstone Resources
- Griffith Laboratories, Inc.
- Grupo Carvajal
- Goldstar Corp.
- GTE
- Hong Kong Shanghai Bank
- Hospital Corporation of America
- Hutchison Port Holdings (Hong Kong)
- IBM
- ICA
- International Proteins Corp.

- Jenny Manufacturing, Inc.
- Johnson and Johnson
- Kansas City Southern Industries
- Kendall Company
- Ketchum Public Relations
- Kimberly-Clark International, S.A.
- Kraft Foods, Inc.
- Lanier Worldwide, Inc.
- Lykes Line
- Marine Midland Bank
- McDonald's Corporation
- Merrill Lynch, Pierce, Fenner & Smith Int'l
- Mi-Jack Products
- Minnesota, Mining & Manufacturing
- Nabisco Brands Inc.
- Nestle Company
- Northville Industries Corp.
- Otis Elevator Company
- Chas. Pfizer & Company, Inc.
- Panasonic Latin America
- Phelps Dodge Corp.
- Phillip Morris, Inc.
- PYCSA, S.A.
- Revlon Inc.
- Rubbermaid Inc.
- Samsung Electronics
- Schering Corp. International
- Seaboard Marine Ltd.
- Sears, Roebuck & Co.
- Sherwin Williams
- Shell Co. (WI) Ltd.
- Sony Corporation
- Sterling Drugs International
- Stevedoring Services of America
- Swift and Company
- Swiss Bank Corp.
- Syntex Corporation
- Technoserve Inc.
- Texaco Inc.
- TRT Telecommunications Corp.
- Twentieth Century Fox
- Union Fenosa, S.A.
- United Brands
- United Parcel Service
- UNYSIS USA
- Warner Lambert Co.
- Xerox Corp.

VIII. TRADE AND PROJECT FINANCING

BANKING AND FINANCING

Panama's banking sector is one of the most dynamic areas of the economy. A new banking law enacted in March 1998, modernized the banking system and increased government supervision. Under the new law, the system will meet Basle Accord standards and Bank financial statements must comply with international standards and be audited by

internationally recognized auditors. Panama's 94 banks (Dec 1998) had total deposits of \$26.8 billion, and reported \$36.6 billion in total assets, a 1 percent increase from 1997. In 1998, approximately 11 percent of the total credit portfolio represented loans to the public sector. Loans to the private sector in Panama reached \$ 8.7 billion, or 89 percent of total credit. Sectors obtaining significant shares of the loans are: trade and commerce (35%), mortgages (24%), and consumer banking (16%).

Panama opened its banking sector to foreign competition in 1971 under legislation which placed high priority on banker-depositor confidentiality. This has heightened the risk that the banking system can be exploited by money launderers. New banking legislation established three classes of operations. General license banks operate full service banks in Panama and compete for domestic deposits and loans (57 banks). International License or "Offshore" banks, can only accept deposits from persons or organizations located overseas (26 banks). Representative Offices can only perform representational activities (12 banks). There are also two state-owned deposit-taking institutions. Foreign and Panamanian banks compete on equal terms. Banks are organized into two groups, the Panamanian Banking Association (ABP) and the Association of Panamanian Banks (APB). Banks are licensed and regulated by the Banking Supervisory Authority (Superintendencia de Bancos). Panama's banking system does not have a deposit insurance scheme.

FOREIGN EXCHANGE CONTROLS

There are no foreign exchange controls. The U.S. dollar is the national currency. There are no restrictions on capital flows in or out of the country.

GENERAL FINANCING AVAILABILITY

In mid-1999 the banking sector had a high level of liquidity. Private financing is readily available. The Government of Panama does not maintain statistics on the sources or level of privately-financed investment or trade and is not itself an important lender.

HOW TO FINANCE EXPORTS/METHODS OF PAYMENT

A number of local banks provide trade financing. Additionally, the Latin American Export Bank (BLADEX) provides trade financing through the local banking system. Because Panama is an international banking center, there are a number of financing options for Panamanian exporters and importers.

TYPES OF AVAILABLE EXPORT FINANCING AND INSURANCE

The Overseas Private Investment Corporation (OPIC), the U.S. Export-Import Bank (EXIM), the International Finance Corporation (IFC) of the World Bank, and the Inter-American Development Bank (IDB) have projects in Panama. Barriers to OPIC programs exist in Panama which have significantly reduced OPIC activity. These include Article 285 of the Panamanian Constitution and Law 14 of 1962. These laws restrict investors' ability to pledge land to obtain financing and OPIC's ability to enforce real estate liens in the event of default. Additionally, Panamanian Government approval of individual OPIC

projects has been difficult to obtain. The Panamanian Government is aware of these problems and is considering remedies. Currently there are no projects in Panama large enough to require multi-institutional "bundling" arrangements. The Commodity Credit Corporation's (CCC) GSM Credit Guarantee program in Panama for fiscal year 1998 totaled \$42.3 million for exports of U.S. rice, feedgrains, protein meals, wheat, solid wood products and barley malt. Credit from any bank in Panama approved by CCC will be guaranteed. Significant lines of commodity credit guarantees were still available at the time of this writing.

AVAILABILITY OF PROJECT FINANCING

The EximBank has participated in the financing of a number of Government purchases, including a Westinghouse aviation radar system and a helicopter. It is currently providing financing in excess of \$121 million in insurance and guarantees (short, medium and long-term) in a number of sectors. The Inter-American Development Bank has financed several studies and projects, including a Nathan Associates study for the Panamanian Government of the development strategy for the U.S. military facilities reverting to Panamanian control under the Panama Canal Treaties. The World Bank (IBRD) has a number of small social-sector-oriented projects, and recently cofinanced with IDB and the Government of Panama a \$406 million road construction and rehabilitation project. Panama has held discussions with IBRD about membership in the World Bank's Multilateral Investment Guarantee Agency, but has not yet applied to join. The Perez Balladares government has pursued financing from International Financial Institutions for a number of new infrastructure and social sector investment projects (see also Section II, Infrastructure Situation). Major changes in policy are not expected from the incoming Moscoso government.

LIST OF PANAMANIAN BANKS WITH CORRESPONDENT U.S. BANKS

Banco Comercial de Panama, S.A. (BANCOMER)

P.O. Box 7659
Panama 5, Republic of Panama
Tel: (507) 263-6800
Fax: (507) 263-8033
General Manager: Emmanuel Gonzalez-Revilla

U.S. Correspondents:

Citibank N.A., New York
The Bank of New York, New York
The Chase Manhattan Bank, N.A., New York
Marine Midland Bank, N.A., New York
Barnett Bank of South Florida, N.A., Miami

Banco Continental de Panama, S.A.

P.O. Box 135
Panama, 9A, Republic of Panama
Tel: (507) 263-5955
Fax: (507) 264-3359
General Manager: Paul Smith

U.S. Correspondents:

Chemical Bank, New York

Citibank, New York and Miami
Credit Suisse, Miami
Nations Bank, Miami
Standard Chartered Bank PLC, Miami

Banco de Latinoamerica, S.A. (BANCOLAT)

P.O. Box 4401
Panama 5, Republic of Panama
Tel: (507) 264-0466
Fax: (507) 263-7368
General Manager: Rafael Arias

U.S. Correspondents:

Banco Atlantico, New York
The Chase Manhattan Bank, New York
Extebank, New York
AmTrade Bank International, Miami
Barclays Bank PLC, Miami
Capital Bank N.A., Miami
Hamilton Bank N.A., Miami
The International Bank of Miami, Miami
Republic National Bank of Miami, Miami
Popular Bank of Florida, Miami

Banco del Istmo, S.A.

P.O. Box 6-3823, El Dorado
Panama, Republic of Panama
Tel: (507) 270-0015
Fax: (507) 270-0861
General Manager: J. Montague Belanger

U.S. Correspondents:

Capital Bank, Miami
Nations Bank, Miami
Standard Chartered Bank, Miami
Banco Atlantico, Miami
Barclays Bank PLC, Miami
The Chase Manhattan Bank N.A., New York
Brown Brothers Hamman & Co., New York

Banco del Pacifico, S.A.

P.O. Box 6-3100, El Dorado
Panama, Republic of Panama
Tel: (507) 263-5833
Fax: (507) 263-7481
Operations Manager: Jose Chung

U.S. Correspondent:

First Chicago International Bank, New York

Banco Disa, S.A.

P.O. Box 7201
Panama 1, Republic of Panama
Tel: (507) 263-5933
Fax: (507) 264-1084
<http://www.bdisa.com>
Manager: Rafael Endara J.

U.S. Correspondents:

The Chase Manhattan Bank N.A., New York and Miami
Marine Midland Bank, New York
Nations Bank International, New York
Dadeland Bank, Miami
National Westminster USA International, Miami

Banco General, S.A.

P.O. Box 4592
Panama 5, Republic of Panama
Tel: (507) 265-0303
Fax: (507) 265-0210
<http://www.banco-general.com>
General Manager: Raul Aleman Z.

U.S. Correspondents:

Citibank N.A., New York
The Chase Manhattan Bank N.A., New York
Marine Midland Bank, New York
Bank of America N.T. & S.A., San Francisco
Nations Bank, Atlanta
Dadeland National Bank, Miami
First Union Bank, Miami

Banco Internacional de Costa Rica, S.A. (BICSA)

P.O. Box 600
Panama 1, Republic of Panama
Tel: (507) 263-6822
Fax: (507) 263-6393
General Manager: Jose Francisco Ulate

U.S. Correspondents:

Citibank N.A., New York
BankAmerica International, New York
Banco Atlantico, New York
The Bank of New York, New York

Banco Internacional de Panama, S.A. (BIPAN)

P.O. Box 11181
Panama 6, Republic of Panama
Tel: (507) 263-9000
Fax: (507) 263-9514
General Manager: Rene A. Diaz A.

U.S. Correspondents:

Nations Bank International, Miami
Barclays Bank, Miami
Banco Internacional de Costa Rica, Miami

Banco Latinoamericano de Exportaciones, S.A. (BLADEX)

P.O. Box 6-1497, El Dorado
Panama, Republic of Panama
Tel: (507) 263-6766
Fax: (507) 269-6333
Chief Executive Officer: Jose Castaneda

U.S. Correspondents:

The Chase Manhattan Bank N.A., New York
Citibank N.A., New York
Credit Lyonnais, New York
Swiss Bank Corporation, New York
Barclays Bank PLC, Miami

Banco Panamericano, S.A. (PANABANK)

P.O. Box 1828
Panama 1, Panama
Tel: (507) 263-9266
Fax: (507) 269-1537
E-mail: panabank@sinfo.net
General Manager: Guido Martinelli

U.S. Correspondents:

American Express Bank, New York
Marine Midland Bank, New York
Hong Kong and Shanghai Bank, New York
Popular Bank of Florida, Miami
Hamilton Bank N.A., Miami
Barclays Bank PLC, Miami
Nations Bank International, Miami

Note: This list is intended to be representative and not complete. Further detailed information on these banks and other banks in Panama can be located in the Polk Register or by contacting the Asociacion Bancaria de Panama (Panamanian Bank Association), P.O. Box 4554, Panama 5, Republic of Panama; Tel: (507) 263-7044, Fax: (507) 223-7630 or 263-7783. (Refer to Appendix E for the three U.S. Banks with full operations in Panama).

IX. BUSINESS TRAVEL

Foreign visitors should use the same precautions while traveling in Panama as in any metropolitan U.S. city.

BUSINESS CUSTOMS

Business practices and customs in Panama are a unique blend of North American methods and traditional Latin style. Foreign corporations operating in Panama are important in shaping the style and manner of doing business.

Most private business offices are open from 8:00 a.m. until 5:00 p.m., Monday through Friday, and Saturdays from 8:00 a.m. to 12 noon. Banks are open from 8:00 a.m. to 3:00 p.m., Monday through Friday. Most local banks open Saturdays from 9:00 A.M. to 12:00 Noon. Government offices are open from 8:30 a.m. to 4:30 p.m., Monday through Friday.

TRAVEL ADVISORY AND VISAS

U.S. Citizens are subject to Panamanian law when visiting Panama and penalties for possession, use and trafficking in illegal drugs are severe.

In 1987, the State Department's Bureau of Consular Affairs established the Consular Affairs Bulletin Board (CABB), as a means to keep the international business community informed about security and crime problems abroad. Access to the CABB is free of charge to anyone with a computer and a modem. Callers dial 202-647-9225 from their modem. Consular Affairs and the Bureau of Diplomatic Security update the CABB daily.

The Travel Advisory Service of the Department of State provides foreign travel information and, when appropriate, warnings. Phone: (202) 647-5225 or Fax: (202) 647-3000.

U.S. citizens may enter Panama with a passport or a certified copy of a U.S. birth certificate and an official picture I.D., (e.g. driver's license) and a Tourist Card purchased for \$ 5.00 from an airline serving Panama. The Tourist Card is valid for 30 days and may be extended for two more 30-day periods. The following are three types of Visas available to businesspersons wishing to spend extended periods of time in Panama:

1. **Inversionista (Investor):** A minimum of \$ 100,000 must be invested and \$ 600 must be deposited in advance (\$ 500 with the Ministry of Government and Justice and \$ 100 with the Ministry of Economy and Finance).
2. **Visa de Visitante Temporal (Temporary Visitor's Visa):** For executives or technicians working with a company in Panama for a limited time. The Visa is valid for one year and is renewable.
3. **Temporal Especial (Working Permit):** For professional or skilled personnel transferred from an overseas office to work in Panama temporarily. The applicant must prove his earnings will come from outside of Panama. The Visa is valid three to six months.

Further information can be obtained from the Consular Section of the U.S. Embassy in Panama, Unit 0945, APO AA 34002, Tel: (507) 227-6988, Fax: (507) 227-0239.

HOLIDAYS

All private, government, municipal and U.S. Embassy offices are closed during local holidays, . In addition the U.S. Mission observes all U.S. holidays.

The national holidays for 2000 are:

| | | |
|----------|----|--------------------------------|
| January | 1 | New Year's Day |
| January | 9 | Mourning Day |
| March | 7 | Carnival |
| April | 21 | Good Friday |
| May | 1 | Labor Day |
| November | 3 | Independence Day from Colombia |
| November | 4 | Flag Day |
| November | 10 | The Uprising of Los Santos |
| November | 28 | Independence Day from Spain |
| December | 8 | Mother's Day |
| December | 25 | Christmas Day |

There are a large number of Jewish owned businesses, which observe Jewish holidays.

BUSINESS INFRASTRUCTURE

Panama's official language is Spanish. However, English is widely spoken as a second language in the main cities. Panama has excellent local and international telephone services. Direct dialing is available to more than 150 countries worldwide. There are 170 radio stations and 5 television stations in Panama. Office space both permanent and temporary is readily available.

Health conditions in Panama are good, especially in the urban centers. Running water is available in almost all parts of the country and is usually potable. Use of bottled water or boiling before use is necessary only in some rural areas and small towns in the provinces.

There are several international level hotels. Facilities usually include swimming pools, tennis courts, fitness centers, clothing and souvenir shops, casinos, restaurants, coffee shops and bars. Furnished apartments are available for longer stays. A wide variety of restaurants offer international cuisine, including Chinese, Italian, Mexican, Indian, Spanish and Japanese. Several specialize in seafood. All large hotels offer American, European, and local cuisine. There are some hotel coffee shops that are open around the clock.

Transportation from the International Airport into Panama City is by a special taxi service, and the price ranges from \$ 12 per trip for small taxis to \$ 20 for large taxis. There is no bus service, however, taxis may be shared with other passengers. Car rentals are also available.

Buses and Taxis are readily available in urban areas. Taxi fares are low and usually range from one to five dollars depending on the trip's length.

The official currency of Panama is the Balboa (symbol B/.) which is the same as the U.S. Dollar. The Balboa exists only in coin form of the same denomination and size as U.S. coins. Both U.S. paper currency and coins are legal tender and circulate freely.

The U.S. system of weights and measures and the metric system are both used in Panama. Speed limits are posted in kilometers per hour.

"Guides for Business Representatives" available for sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402; tel. (202) 512-1800; fax. (202) 512-2250. Business travelers to Panama seeking appointments with U.S. Embassy Panama officials should contact the Commercial Section in advance. The Commercial Section can be reached by tel. (507) 227-1777 Ext. 2225 or by fax at (507) 227-1713".

X. ECONOMIC AND TRADE STATISTICS

APPENDIX A: COUNTRY DATA - PANAMA

Population: 2.81 Million
Population Growth Rate: 1.8%
Religion: 82% Roman Catholic, 10% Evangelical
(complete religious freedom)
Government: Constitutional Democracy
Language: Spanish, English widely spoken.
Work Week: Monday - Friday

APPENDIX B: DOMESTIC ECONOMY

(millions of U.S. Dollars, except as noted)

| | 1996 | 1997 | 1998 (estim) | 1999 (proj) |
|--|-------------|-------------|-------------------------|------------------------|
| GDP (Current Prices) | 8,253 | 8,700 | 9,217 | 9,540 |
| GDP (1982 dollars) | 6,348 | 6,670 | 6,933 | 7,176 |
| Real GDP Growth Rate | 2.4% | 4.7% | 3.9% | 3.5% |
| GDP Per Capita (Current Prices) | 3,086 | 3,198 | 3,329 | 3,457 |
| GDP Per Capita (1982 dollars) | 2,374 | 2,431 | 2,502 | 2,554 |
| Central Government Spending (as a % of GDP) | 24.0% | 29.2% | 29.7% | 26.0% |
| Inflation (CPI) (%) | 1.3% | 1.2% | 0.6% | 1.0% |
| Unemployment (%) | 14.3% | 13.4% | 13.4% | 13.7 |
| Foreign Exchange Reserves(1) | 866.5 | 1,082 | 1,267 | 1,350 |
| Average Exchange Rate Balboas to U.S. Dollars | 1.00 | 1.00 | 1.00 | 1.00 |
| U.S. Economic Assistance | 6.4 | 6.1 | 6.2 | 8.8 |
| U.S. Military Assistance | 0.0 | 0.0 | 0.0 | 0.0 |
| Debt Service Ratio(2) | 18.2% | 12.2% | 7.5% | N/A |

Sources: Government of Panama, U.S. Embassy estimates.

(1) Corresponds to foreign assets of the National Bank of Panama

(2) Ratio of principal and interest payments on foreign debt to foreign income (export earnings including CFZ)

APPENDIX C: TRADE

(millions of U.S. Dollars, except as noted)

| | 1996 | 1997 | 1998 (estim) | 1999 (proj) |
|------------------------------|-------------|-------------|------------------------|-----------------------|
| Total Country Exports | 569 | 648 | 705 | 745 |
| Total Country Imports | 2,548 | 2,992 | 3,320 | 3,550 |
| U.S. Share of Panama Imports | 54% | 51% | 53% | 51% |
| U.S. Share of Panama Exports | 61% | 57% | 44% | 55% |

Sources: Ministry of Economy and Finance, U.S. International Trade Commission, Embassy Projections.

The figures above do not include trade with the Colon Free Zone (CFZ). The United States exported \$602 million in goods to the CFZ in 1998, down 15.8% from \$715 million in 1997. U.S. exports in 1998 accounted for 11.5% of total CFZ imports. The U.S. imported \$326 million in goods from the CFZ in 1998, up 12.8% from \$289 million in 1997. U.S. imports in 1998 accounted for 5.4% of the total CFZ re-exports. Large importers from the CFZ include Brazil, Colombia, Cuba, Ecuador, Panama, and Venezuela.

APPENDIX D: INVESTMENTS STATISTICS

FOREIGN DIRECT INVESTMENT IN PANAMA /1 1994-1998

(IN US\$ MILLIONS AND AS PERCENT OF GDP)

| Year | Stock | GDP | Stock/GDP |
|------|-------|-------|-----------|
| 1994 | 621 | 7,734 | 8.0% |
| 1995 | 698 | 7,906 | 8.8% |
| 1996 | 738 | 8,253 | 8.9% |
| 1997 | 2,000 | 8,717 | 23.0% |
| 1998 | 3,758 | 9,217 | 40.7% |

**FOREIGN INVESTMENT IN PANAMA /1
BY COUNTRY OF ORIGIN 1998**

| | US\$ Millions | Percent of total |
|----------------|---------------|------------------|
| United States | 1,500 | 40% |
| United Kingdom | 880 | 23% |
| Mexico | 700 | 19% |
| Taiwan | 300 | 8% |
| Others | 378 | 10% |
| Total | 3,758 | 100% |

**FOREIGN DIRECT INVESTMENT /1
BY SECTOR 1998**

| | US\$ Millions | Percent of Total |
|-------------------------|---------------|------------------|
| Transport, Storage | 1,290 | 33% |
| Services, Communication | 1,150 | 31% |
| Manufacturing | 400 | 11% |
| Finance, Real Estate | 400 | 11% |
| Others | 518 | 14% |
| Total | 3,758 | 100% |

/1 Embassy estimates.

The GoP has not published recent information on foreign direct investment either total stock or by country of origin. The above figures were developed in consultation with private sector economists and are the Embassy's best estimate of a dynamic investment situation.

XI. U.S. AND COUNTRY CONTACT

APPENDIX E: U.S. AND COUNTRY CONTACTS - PANAMA

U.S. EMBASSY CONTACT

The Commercial Service

U.S. Department of Commerce

Tel: (507) 227-1777

Fax: (507) 227-1713

<http://www.ita.doc.gov>

E-mail: OfficePanama@mail.doc.gov

Commercial Attache, Richard Benson;

E-mail: Richard.Benson@mail.doc.gov

Senior Trade Specialist: J.Enrique Tellez;

E-mail: Enrique.Tellez@mail.doc.gov

Commercial Assistant, Jilma A. De Robles;

E-mail: Jilma.deRobles@mail.doc.gov

Commercial Secretary, Diana Lozano;

E-mail: Diana.Lozano@mail.doc.gov

Commercial Clerk, Jeane A. De Zuñiga

E-mail: Jeane.Zuniga@mail.doc.gov

Economic Unit, U.S. Department of State

Chief, Economic/Political Section, Lewis Amselem

Tel: (507) 227-1777

Fax: (507) 227-1964

Foreign Agricultural Service,

U.S. Department of Agriculture

Agricultural Specialist, Hugo Salazar;

Secretary, Maria Victoria Guardia

Tel: (507) 227-1777

Fax: (507) 225-4209

Embassy Mailing Address in the U.S.:

Unit 0945

APO AA 34002

Tel: (507) 227-1777

Fax: (507) 227-1964

WASHINGTON-BASED USG COUNTRY CONTACTS

U.S. Department of Commerce,

International Economic Policy

Panama Desk Officer, Matt Gaisford

14th & Constitution Ave.

Washington, D.C. 20230

Tel: (202) 482-4464

Fax: (202) 482-4157

U.S. Department of State

Desk Officer, Jim Benson

ARA (Inter American Affairs)/CEN-PAN

2201 C St. NW

Washington, DC 20520

Tel: (202) 647-4986

Fax: (202) 647-2901

U.S. Department of the Treasury

Desk Officer, Rachel Barrell

Office of Latin America & Caribbean

1500 Pennsylvania Ave. NW

Washington, D.C. 20220

Tel: (202) 622-1266

Fax: (202) 622-1273

U.S. Department of Commerce,

Liaison Office to the Inter-American Development Bank

Director, Eric Weaver

1250 H Street, NW, 10th Floor

Washington, D.C. 20005

Tel: (202) 623-3821

Fax: (202) 623-2039

U.S. Department of Commerce,

**Liaison Office to the International Bank
for Reconstruction and Development**

U.S. Executive Director's Office
1818 H St., NW, Room D-13004
Washington, D.C. 20433
Tel: (202) 458-0118
Fax: (202) 477-2967

**U.S. Department of Commerce,
Office of Multilateral Development Banks**

Director, Janet Thomas
Ronald Reagan Building
MS/MDBO
Washington, D.C. 20230
Tel: (202) 482-3399
Fax: (202) 273-0927

U.S. Department of Agriculture,

Foreign Agricultural Service
Trade Policy, Marsha Moke
12th and Jefferson Drive, SW
Washington, DC 20250
Tel: (202) 720-6010
Fax: (202) 690-2079

Overseas Private Investment Corporation

1100 New York Avenue, N.W.
Washington, DC 20527
Finance Officer, Adrien Seaton
Tel: (202) 336-8472, Fax: (202) 408-9866

Export-Import Bank of the U.S.

811 Vermont Avenue, NW
Washington, DC 20571
Business Development, Veronique Cavallier
Tel: (202) 565-3921 X3916
Fax: (202) 565-3931
[http:// www.exim.gov](http://www.exim.gov)

U.S. Trade and Development Agency

Country Manager, Latin America & Caribbean, Gabriela Rigg
1621 N. Kent St., Suite 300
Arlington, VA 2209-2131
Tel: (703) 875-4357
Fax: (703) 875-4009

Office of U.S. Trade Representative

Associate USTR for Western Hemisphere, Peter Allgeier,
Director for Caribbean Basin Affairs, Jim Roberts
Office of the U.S. Trade Representative
600 17th Street, NW
Washington, D.C. 20506
Tel: (202) 395-5190
Fax: (202) 395-3911

U.S. - BASED MULTIPLIER ORGANIZATIONS RELEVANT FOR COUNTRY

Embassy of Panama

2862 McGill Terrace NW

Washington, DC 20008
Tel: (202) 483-1407
Fax: (202) 483-8413

MINISTRIES AND GOVERNMENT OWNED AGENCIES IN PANAMA

Ministerio de Comercio e Industrias,

(Ministry of Commerce and Industry)

P.O. Box 9658
Panama 4, Republic of Panama
Tel: (507) 227-4222
Fax: (507) 227-4134
E-mail: Uti@mici.gob.pa
Http: www.mici.gob.pa

Ministerio de Comercio e Industrias,

Direccion General de Registro de la Propiedad Industrial,
(Industrial Property Registry Administration)

Director General, Luz Celeste R. de Davis

P.O. Box 9658
Panama 4, Republic of Panama
Tel: (507) 227-3987
Fax: (507) 227-2139

Vice Ministerio de Comercio Exterior

P.O. Box 6-1897
Panama 6, Republic of Panama
Tel: (507) 236-0550/0347
Fax: (507) 236-0495
E-mail: secomex@mici.gob.pa

Ministerio de Desarrollo Agropecuario,

(Ministry of Agricultural Development)

P.O. Box 5390
Panama 5, Republic of Panama
Tel: (507) 232-5043
Fax: (507) 232-5044

Ministerio de Economia y Finanzas

P.O. Box 7304
Panama 5, Republic of Panama
Tel: (507) 227-4998
Fax: (507) 227-2357
<http://www.mhyt.gob.pa/>
E-mail: mhyt@mhyt.gob.pa

Direccion Nacional de Aduanas,

(Customs Service)

P.O. Box 1671 Balboa, Ancon
Panama, Republic of Panama
Tel: (507) 232-5355
Fax: (507) 232-6494
<http://www.mhyt.gob.pa>

Ministerio de Salud, (Ministry of Health)

P.O. Box 2048
Panama 1, Republic of Panama

Tel: (507) 262-3511/3510
Fax: (507) 262-5597
[Http://www.min-salud.gob.pa](http://www.min-salud.gob.pa)

Ministerio de Obras Publicas,
(Ministry of Public Works)
P.O. Box 1632
Panama 1, Republic of Panama
Tel: (507) 232-5572
Fax: (507) 232-5776
<http://www.mop.gob.pa/>
E-mail: infomop@sinfo.net

Autoridad de la Region Interoceanica (ARI),
(Interoceanic Regional Authority)
Administrator, Nicolas Ardito Barletta
P.O. Box 2097, Balboa
Panama, Republic of Panama
Tel: (507) 228-8044
Fax: (507) 228-8988
<http://www.ari-panama.com>
E-mail: ari@sinfo.net

Autoridad Marítima Nacional,
(National Maritime Authority)
Administrator, Ing. Ruben Reyna
P.O. Box 8062
Panama 7, Rep. of Panama
Tel: (507) 232-5553/5528
Fax: (507) 232-5527

Administracion de la Zona Libre de Colon,
(Colon Free Zone Administration)
P.O. Box 1118
Colon, Republic of Panama
Tel: (507) 445-5794/5114
Fax: (507) 445-2165
<http://www.zonalibre.com>
E-mail: david@zolicol.org

Direccion de Aeronautica Civil (DAC),
(National Aeronautics Authority)
P.O. Box 7615
Panama 5, Republic of Panama
Tel: (507) 315-0210/0212
Fax: (507) 315-0214
E-mail: fabrega@pan.gbm.net

Instituto Panameno de Turismo (IPAT),
(Tourism Institute of Panama)
P.O. Box 4421
Panama 5, Republic of Panama
Tel: (507) 226-7414 or 226-3751
Fax: (507) 226-3483
<http://www.ipat.gob.pa>
E-mail: webmaster@ipat.gob.pa

Instituto de Acueductos y Alcantarillados Nacionales (IDAAN),
(National Water Works Company)
P.O. Box 5234
Panama 5, Republic of Panama
Tel: (507) 223-8640
Fax: (507) 264-0034

Inter-American Development Bank,
(In-country office)
Representative, John Hastings
Apartado Postal 7297
Panama 5, Rep. of Panama
Tel: (507) 263-6944
Fax: (507) 263-6183
<http://www.iadr.org>

TRADE ASSOCIATIONS

American Chamber of Commerce and Industry
Executive Director - Gina Latoni
P.O. Box 168, Balboa
Panama, Republic of Panama
Tel: (507) 269-3881
Fax: (507) 223-3508
<http://www.panamcham.com>
E-mail: amcham@sinfo.net

Asociacion de Distribuidores de Automoviles de Panama (ADAP),
(Automobile Distributors Association)
Executive Director - Simon de la Rosa
P.O. Box 476
Panama 9A, Republic of Panama
Tel: (507) 261-1264
Fax: (507) 261-0906
E-mail: analmo@sinfo.net

Asociacion de Usuarios de la Zona Libre de Colon,
(Colon Free Zone Users Association)
Executive Director - Galo Pinto de la Ossa
P.O. Box 3118, Zona Libre de Colon
Colon, Republic of Panama
Tel: (507) 441-4244
Fax: (507) 441-4347
E-mail: au@sinfo.net

Asociacion Panamena de Exportadores (APEX),
(Exporters Association)
Executive Director - Daniel Vega
P.O. Box 6-6527
Panama 6, Republic of Panama
Tel: (507) 230-0284 or 230-0169
Fax: (507) 230-0805
E-mail: sip@sinfo.net

Camara de Comercio, Industrias y Agricultura de Panama,
(Chamber of Commerce, Industry and Agriculture of Panama)
Executive Director - Jose Ramon Varela

P.O. Box 74
Panama 1, Republic of Panama
Tel: (507) 227-1285 or 227-1445
Fax: (507) 227-4186 or 225-3653
<http://www.panacamara.com>
E-mail: cciap@panama.phoenix.net

Camara Panamena de la Construccion (CAPAC),
(Construction Chamber)
Executive Director - Eduardo Rodriguez
Apartado 6793
Panama 5, Republic of Panama
Tel: (507) 264-2255
Fax: (507) 264-2384
E-mail: capac@pty.com

Sindicato de Industriales de Panama (SIP),
(Industrialists Association of Panama)
Executive Director - Daniel Vega
P.O. Box 6-4798
Panama 6, Republic of Panama
Tel: (507) 230-0284 or 230-0169
Fax: (507) 230-0805
E-mail: sip@sinfo.net

COUNTRY COMMERCIAL BANKS

Superintendencia de Bancos
(Banking Superintendency)
Superintendent - Ing. Mario Lewis Romero
P.O. Box 0832-2397 WTC
Panama, Rep. of Panama
Tel. (507) 206-7800
Fax. (507) 264-9467
E-mail: superintendencia@superbancos.gob.pa
Http: www.superbancos.gob.pa

Asociacion Bancaria de Panama,
(Banking Association of Panama)
Executive Director, Mario de Diego
P.O. Box 4554
Panama 5, Republic of Panama
Tel: (507) 263-7044
Fax: (507) 263-7783
E-mail: abp@orbi.net

Banco del Istmo
General Manager, L.J. Montague Belanger
P.O. Box 6-3823, El Dorado
Panama 6A, Republic of Panama
Tel: (507) 270-0015
Fax: (507) 270-0861
[Http://www.banistmo.com](http://www.banistmo.com)
E-mail: www@banistmo.com

Banco General
General Manager, Raul Aleman

P.O. Box 4592
Panama 5, Republic of Panama
Tel: (507) 265-0303
Fax: (507) 265-0206
<http://www.banco-general.com>

Banco Comercial de Panama

General Manager, Emmanuel Gonzalez Revilla
P.O. Box 7659
Panama 5, Republic of Panama
Tel: (507) 263-6800 or 263-4433
Fax: (507) 263-8033

Banco Nacional de Panama

General Manager, Eduardo C. Urriola
P.O. Box 5220
Panama 5, Republic of Panama
Tel: (507) 269-2966/269-2966
Fax: (507) 264-7155

The Chase Manhattan Bank, N.A.

General Manager, Olegario Barrelier
P.O. Box 9A-76
Panama 9A, Republic of Panama
Tel: (507) 263-5855 or 263-5877
Fax: (507) 263-6009

Citibank, N.A.

General Manager, Julio Bonifacino
P.O. Box 555
Panama 9A, Republic of Panama
Tel: (507) 236-4044
Fax: (507) 236-1025

PRIBANCO, Primer Banco de Ahorros

General Manager, Robert J. Boyd III
P.O. Box 7322
Panama 5, Republic of Panama
Tel: (507) 265-3444
Fax: (507) 265-3838

The First National Bank of Boston

General Manager, Luis Navarro
P.O. Box 5368
Panama 5, Republic of Panama
Tel: (507) 264-2244 or 64-2146
Fax: (507) 223-4089

COUNTRY MARKET RESEARCH FIRMS

Ditcher & Neira - Marketing Consultant

Director General, Leopoldo Neira
P.O. Box 6-7373, El Dorado
Panama, Republic of Panama
Tel: (507) 264-3466
Fax: (507) 223-1174
E-mail: d&n@pananet.com

Jaime Porcell & Asociados

President, Jaime A. Porcell
P.O. Box 4760
Panama 5, Rep. of Panama
Tel: (507) 226-0438/0452
Fax: (507) 226-7390

Grupo Ariston

Maria Nela Galvez, General Manager
P.O. Box 944
Panama 9A, Republic of Panama
Tel: (507) 226-1276
Fax: (507) 226-5275
E-mail: mthalass@pan.gbm.net

XII. MARKET RESEARCH AND TRADE EVENTS**APPENDIX F: MARKET RESEARCH: PANAMA****Non-Agricultural Market Research****FY-1999****Industry Sector Analyses (ISA)**

- Financial Services
- Medical Equipment
- Telecommunications equipment
- Automotive parts and services equipment
- Hotel & Restaurant Equipment

International Market Insight (IMI)

- Privatization of four Power Generation Companies
- Electric sector privatization
- Major Infrastructure/Environmental projects
- Contact information for the Electric sector
- Panama Engineering Projects
- Strategic center for food exports
- Privatization of the Tocumen Airport
- Export Processing Zones in Panama
- Trade Shows in Panama
- Billboard use and regulations
- Commercial and Investments opportunities in the electric sector in Central America
- Prequalified companies for selling power in Panama
- New law for protecting investment in Panama

Agricultural Market Research: None

NOTE: A complete list of market research reports is available from the National Trade Data Bank (NTDB).

APPENDIX G: Trade Events Schedule - Panama

EXPOMEDICA 99 (Medical Show)

Manufacturers, Distributors, agents of medical equipment, supplies, pharmaceutical products, veterinary products, interior decoration, hospital and health services. There are medical seminars and conferences during the show.

October 7-10, 1999, Panama City, Panama

Camara de Comercio, Industrias y Agricultura de Panama (Panamanian Chamber of Commerce, Industry and Agriculture of Panama), Expocomer
P.O. Box 74

Panama 1, Republic of Panama

Phone: 507-227-0033 or 507-227-0034

Fax: 507-227-0115

E-mail: expomed@expocomer.com

Web site: www.expocomer.com/expomedica

Contacts: Roberto Appleby, Executive Director

Roberto Zuniga, Sales Executive

OFICINA 99 (Computer and Office Equipment Show)

Manufacturers, distributors, agents of computer, office and telecommunications equipment. Also, office equipment accessories and supplies, office furniture, computer magazines, computer software, video games, etc

September 30-October 3, 1999, Panama City, Panama

Medis S.A.

P.O. Box 1924

Panama 9A, Republic of Panama

Phone: 507-226-9518

Fax: 507-226-3863

E-mail: Oficina@sinfo.net

Web site: www.sinfo.net/oficina

Contacts: Franklin Martinez, Executive Director

AUTOMOTIVE AFTERMARKET WEEK '99

U.S. Commercial Service, International Buyer Program. The Commercial Service in Panama will recruit a delegation of Panamanian businesspersons to travel to this event. U.S. companies interested in meeting members of the delegation may contact the International Visitors Center at the show for appointments. Industry: Automotive parts and service equipment.

November 2-5, 1999, Las Vegas, Nevada

William T Glasgow, Inc.

16066 South Park Avenue

South Holland, IL 60473-1500

Tel. (708) 333-9292

Fax. (708) 333-4086

E-mail: Judynovakl@aol.com

Contact: Judy Novak, Vice President

COMDEX FALL

U.S. Commercial Service, International Buyer Program. The Commercial Service in Panama will recruit a delegation of Panamanian businesspersons to travel to this event. U.S. companies interested in meeting members of the delegation may contact the International Visitors Center at the show for appointments. Industry: Computers/Peripherals.

November 15-19, 1999, Las Vegas, Nevada

ZD Events, Inc.

300 First Avenue

Needham, MA 02194
Tel. (781) 433-1823
Fax. (781) 7722
E-mail: SonnySaslaw@zd.com
Contact: Sonny Saslaw, Director

THE SUPER SHOW/2000

U.S. Commercial Service, International Buyer Program. The Commercial Service in Panama will recruit a delegation of Panamanian businesspersons to travel to this event. U.S. companies interested in meeting members of the delegation may contact the International Visitors Center at the show for appointments. Industry: Apparel

February 14-17, Las Vegas, NV

Magic International
6200 Canoga Ave.
Suite 303
Woodland Hills, CA 91367
Tel. (818) 593-5003
Fax. (818) 593-5020
E-mail: Magiconline.com
Contact: Julie Green

EXPOCOMER 2000 (Multisector Show)

This is Panama's premiere international trade shows. Expocomer is a horizontal trade show covering a number of sectors such as consumer goods, toys, food and beverage, clothing, hardware products, interior decoration, computers, telecommunications, sporting goods, services, medical products, etc.

March 15-20, 2000, Panama City, Panama

Organizer: Camara de Comercio, Industrias y Agricultura de Panama (Panamanian Chamber of Commerce, Industry and Agriculture of Panama), Expocomer
P.O. Box 74
Panama 1, Republic of Panama
Phone: 507-227-0033 or 507-227-0034
Fax: 507-227-0115
E-mail: expo@expocomer.com
Web site: www.expocomer.com
Contacts: Roberto Appleby, Executive Director

DAVID INTERNATIONAL TRADE FAIR 2000 (Agricultural and Multisector Fair)

This an annual agricultural trade fair and exhibition which exhibits handicrafts from the Central American region, agricultural and miscellaneous goods. It is organize by the Patronato de la Feria de David, David, Chiriqui, Panama.

March 16-26, 2000, David, Chiriqui

Organizer: Patronato de la Feria de David
P.O. Box 206, David
Chiriqui, Rep. of Panama
Tel. (507) 775-3532
Fax. (507) 775-5428
Contact: Rigoerto Martinez

EXPOALIMENTOS 2000 (Food Show)

Manufacturers, Distributors, agents of food and beverage. Food processing equipment, accessories, restaurant equipment, restaurant decoration, kitchen equipment, etc.

July 6-9, 2000, Panama City, Panama

Organizer: Camara de Comercio, Industrias y Agricultura de Panama
(Panamanian Chamber of Commerce, Industry and Agriculture of Panama),
Expoalimentto

P.O. Box 74

Panama 1, Republic of Panama

Phone: 507-227-0033 or 507-227-0034

Fax: 507-227-0115

E-mail: expo@expocomer.com

Web site: www.expocomer.com

Contacts: Roberto Appleby, Executive Director

EXPOINDUSTRIA 2000 (Industrial Show)

This is a show which exhibits manufacturers of all types of goods,
including construction materials, food and beverages, consumer goods,
chemicals, etc.

August 4-13, 2000, Panama City, Panama

Organizer: Congrexpo Internacional

P.O. Box 55-1627 Paitilla

Panama, Republic of Panama

Phone: 507-269-5655

Fax: 507-269-5680

E-mail: congrexp@pty.com

Web site: www.capacexpco.com

Contacts: Patricia Petterson, Executive Vice President

Marie Ledezma Bradley- Executive Assistant

INTL. HARDWARE WEEK & NATIONAL HARDWARE SHOW

U.S. Commercial Service, International Buyer Program. The Commercial
Service in Panama will recruit a delegation of Panamanian
businesspersons to travel to this event. U.S. companies interested in
meeting members of the delegation may contact the International
Visitors Center at the show for appointments. Industry: Tools - Hand
and Power.

August 13-16, 2000, Chicago, Illinois

American Hardware Manufacturers Association

801 North Plaza Drive

Schaumburg, IL 60173-4977

Tel. (847) 605-1025

Fax. (847) 605-1093

E-mail: AHMA@ahma.org

Contact: Timothy Farrell